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Business Today

November 27, 2022 ₹150

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STATE GDP
THE DEBT SPIRAL

THE BT INTERVIEW
NICOLA MENDELSOHN OF META

NARENDRA MODI
Prime Minister of India

MODI'S UNICORN

MATCHING THE PRIME MINISTER'S VISION WITH SKILL AND PANACHE, **INVEST INDIA** IS IMPACTING A BILLION-PLUS LIVES BY DRIVING FOREIGN INVESTMENT INTO THE COUNTRY AND POWERING THE START-UP ECOSYSTEM

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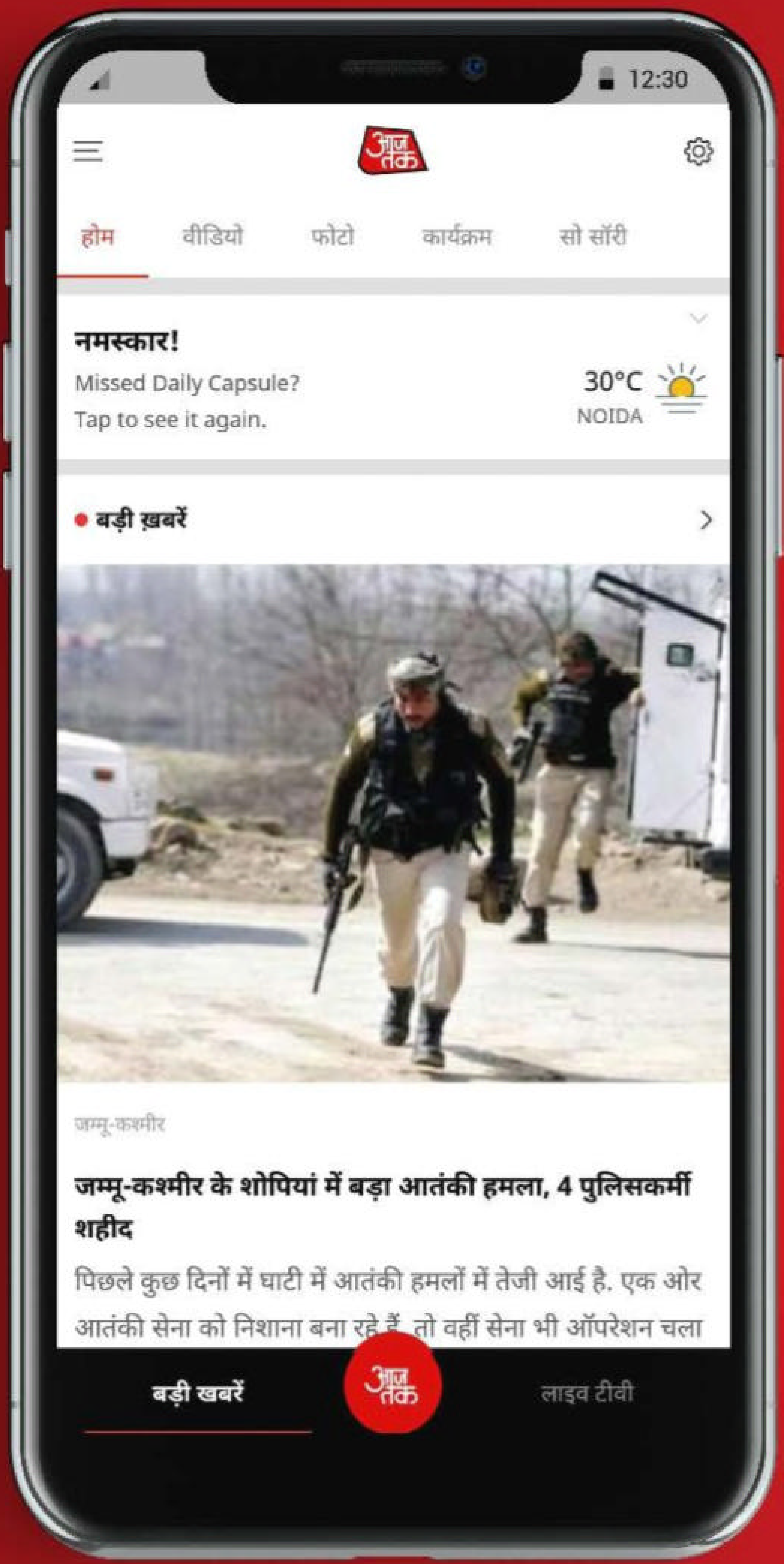
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जम्मू-कश्मीर

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पिछले कुछ दिनों में घाटी में आतंकी हमलों में तेजी आई है. एक ओर आतंकी सेना को निशाना बना रहे हैं, तो वहीं सेना भी ऑपरेशन चला

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The Red Carpet

Deepak Bagla, the Managing Director and CEO of Invest India, the government's investment promotion agency (IPA), is a busy man these days. Apart from chairing the global body of IPAs—the World Association of Investment Promotion Agencies, or WAIPA—Invest India is also helping other countries by giving them advice on how to attract foreign investment. Not without reason. Consider the numbers: in just over six years since it was empowered and restructured (it was set up in 2009), Invest India has helped create 450,000 jobs, supported 81,000-plus start-ups, solved 300,000-plus queries from 174 countries, and facilitated 1,323 investment projects. And, going by the energy of Bagla and his young team (which has an average age of 29), this could just be the beginning. India received a record $85 billion in foreign direct investment (FDI) in FY22 despite the Covid-19 pandemic and the aim is to continue growing this at a rapid pace.

Invest India's strategy is to woo the foreign investor aggressively, showcase the country as the preferred investment destination, and then ensure the investor is able to set up shop by helping secure all approvals and monitoring the progress every step of the way. In the process, it liaises with state governments and central departments and, as Bagla himself says, "joins the dots". No surprise, then, that industrialist Anand Mahindra calls Invest India a "social unicorn" which, instead of a billion-dollar valuation, impacts over a billion people. This is in line with Prime Minister Narendra Modi's vision of making India the most preferred investment destination in the world. In the course of multiple conversations for the cover story in this issue, Bagla quotes Prime Minister Modi who has said he wants to turn the red tape into a red carpet. "This is the red carpet," Bagla tells us. Invest India's restructured shareholding, where industry chambers like Ficci, Nasscom and CII hold 17 per cent each, and where 23 states also hold a combined 11.5 per cent, is a good example of public-private partnership in the interest of facilitating investments. The agency also helms the government's Startup India initiative, with India's start-up ecosystem now the third largest in the world. As India marches on towards the next 25 years, Invest India is set to play an even more vital role in the coming days.

This issue also gets you the latest instalment of the *Business Today*-C Fore Business Confidence Index (BCI), our quarterly update of the mood in the corner rooms of India's corporations. Despite serious economic headwinds in the form of global and domestic inflation, a falling rupee and a recessionary trend in some of the leading economies, business confidence grew to 52.5 in July-September 2022 (on a scale of 100), up from 51.2 in the previous quarter, the level it had fallen to after recording a 28-quarter high of 55.2 in January-March 2022. If the latest reading is anything to go by, Indian businesses seem to have taken economic uncertainty in their stride. **BT**

sourav.majumdar@aajtak.com
@TheSouravM

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COVER BY **BANDEEP SINGH** DIGITAL IMAGING BY **AMARJEET SINGH NAGI**

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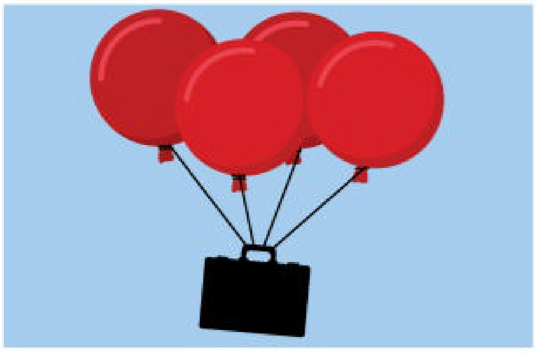

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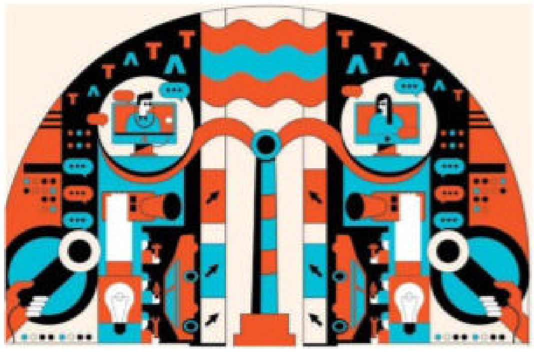

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THE GOOD LIFE: TRENDS

Nectar of the Gods

Expensive, French and usually seen glistening on the top shelves of bars, cognac is elusive

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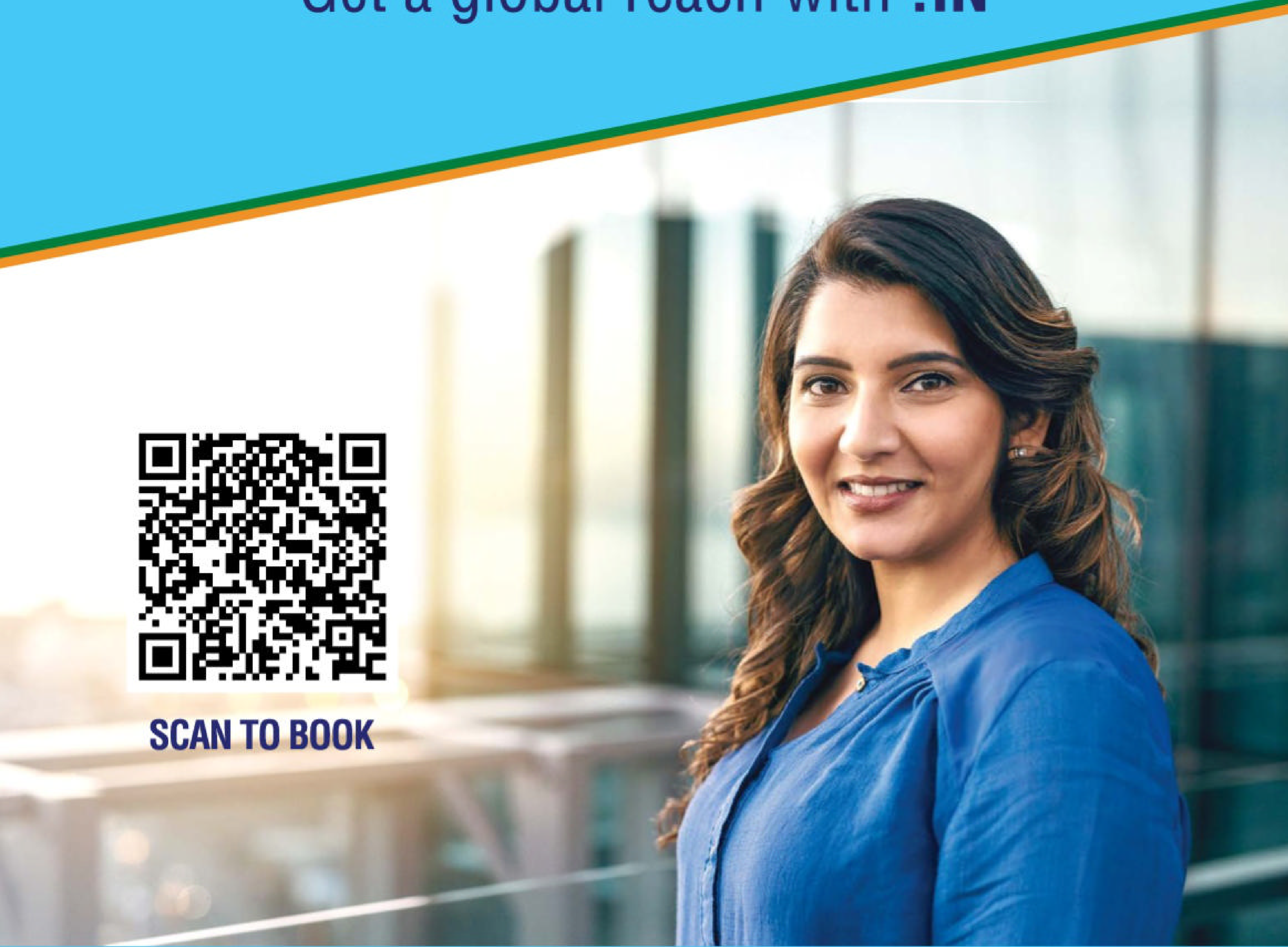

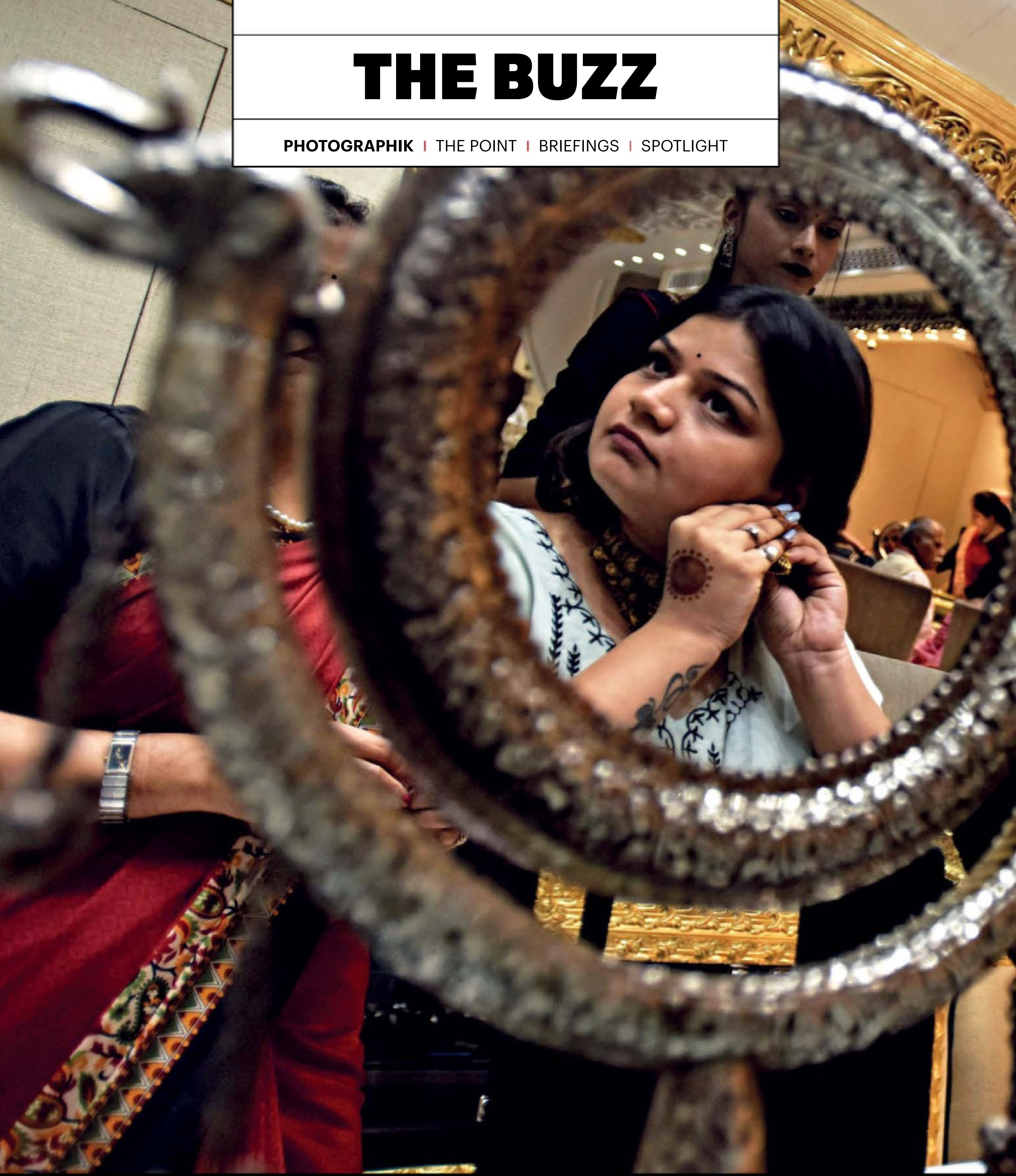

PHOTOGRAPHIK

Photo by **GETTYIMAGES**
Text by **RAHUL OBEROI**

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INDIA GOES SHOPPING

INDIAN CONSUMERS CAME BACK WITH A BANG THIS FESTIVE SEASON AFTER TWO YEARS OF MUTED CELEBRATIONS. A LOOK AT HOW THEY SPLURGED THIS YEAR

₹19,500

CRORE

Worth of gold (39 tonnes) sold in just two days on the occasion of Dhanteras this year, which is 30 per cent higher than last year

539,227

UNITS

Number of vehicles sold by automobile companies during Navratri this year, a growth of 57 per cent YoY

27

PER CENT

The growth online marketplaces witnessed during the festive season sales between September 22 and 30, hitting the $5.7-billion mark

SENSEX
NIFTY

A CHEQUERED STORY

Global crude oil prices, interest rates and the dollar will continue to dictate the movement of the domestic equity market in Samvat 2079, which commenced this Diwali (October 24, 2022). These factors and the war between Russia and Ukraine had made Samvat 2078 a challenging year for global equities. But it also brought forth the resilience of the Indian equity market, which outperformed most developed and emerging markets last year. Here's how the Indian equity market has performed since last Diwali and what lies ahead

By **RAHUL OBEROI**

Graphics by **RAJ VERMA**

BUGBEARS

FACTORS THAT LED TO VOLATILITY IN THE MARKET IN SAMVAT 2078

₹1.95 lakh crore

NET OUTFLOWS BY FOREIGN INSTITUTIONAL INVESTORS FROM EQUITIES DURING THE NOVEMBER 4, 2021-OCTOBER 21, 2022 PERIOD

190 basis points

HIKE IN REPO RATE BY THE RESERVE BANK OF INDIA DURING SAMVAT 2078

4 per cent

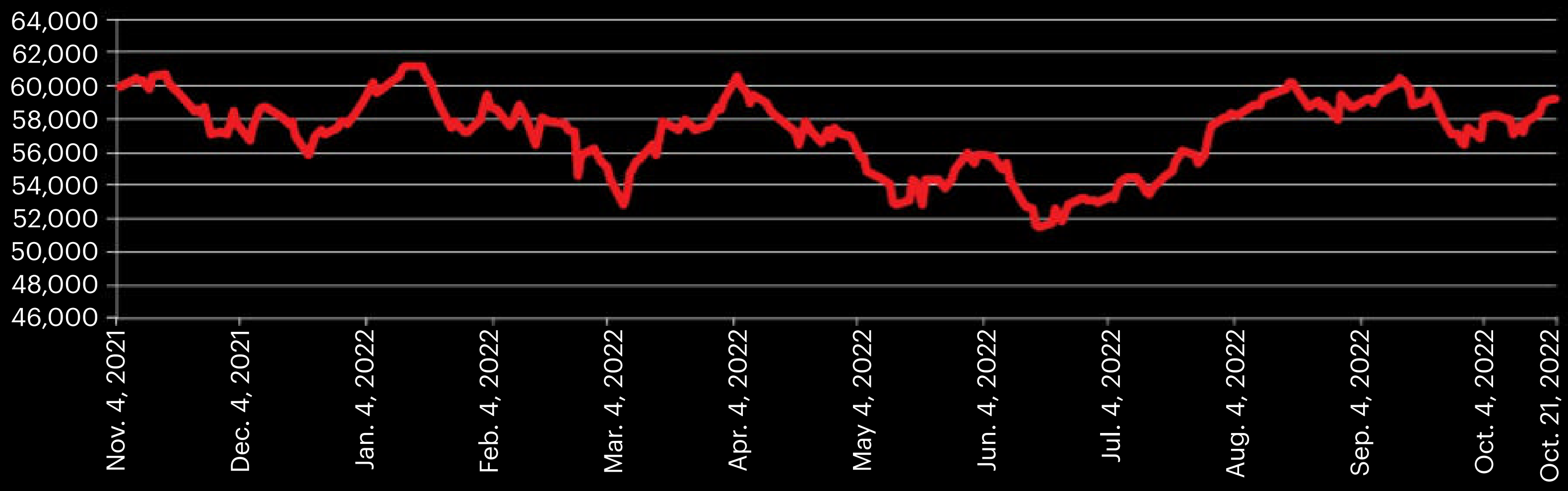
RISE IN CRUDE OIL PRICES DURING THE PERIOD. IT SCALED A HIGH OF NEARLY $120 PER BARREL IN MAY 2022 FROM $77 ON NOVEMBER 4, 2021

11 per cent

THE DECLINE THE INDIAN RUPEE WITNESSED AGAINST THE DOLLAR IN SAMVAT 2078

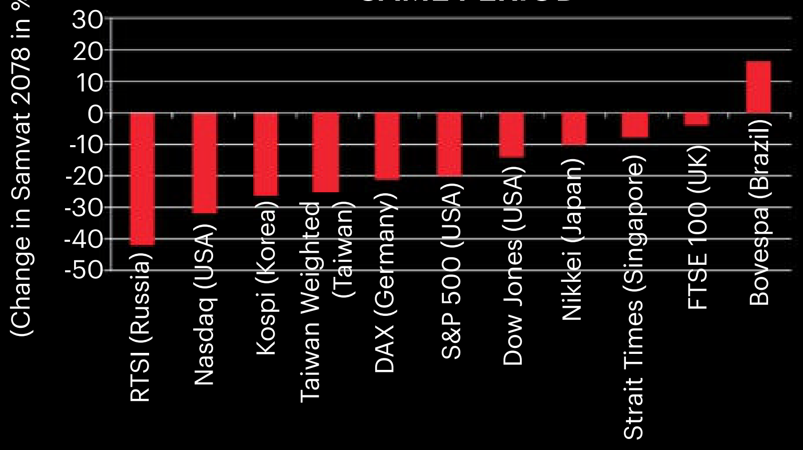
CALM AND FIRM

WITH A MARGINAL DECLINE OF 1 PER CENT, THE BENCHMARK BSE SENSEX REMAINED FLAT IN SAMVAT 2078 DESPITE A ZIGZAG SHOW...



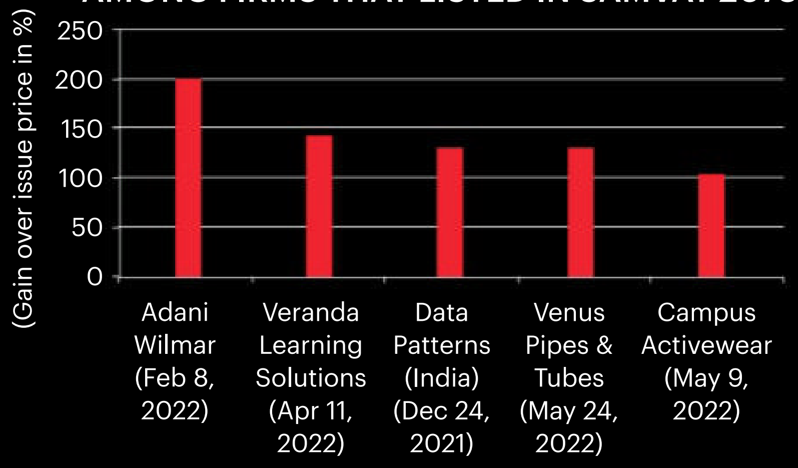
IN THE RED ZONE

... THE MAJOR GLOBAL INDICES, HOWEVER, DECLINED UP TO 42 PER CENT DURING THE SAME PERIOD



IPO MART

ADANI WILMAR HAS GAINED THE MOST AMONG FIRMS THAT LISTED IN SAMVAT 2078

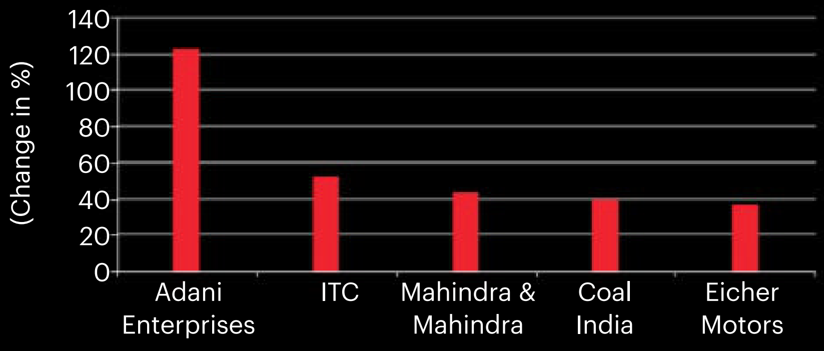


Note: Respective listing dates are in brackets

WIN SOME, LOSE SOME

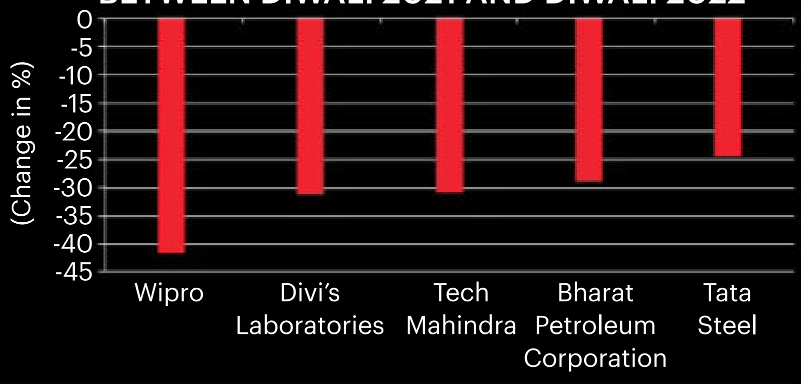
TOP 5 GAINERS

TWO NIFTY STOCKS DELIVERED OVER 50 PER CENT RETURNS IN SAMVAT 2078



TOP 5 LOSERS

ON THE OTHER HAND, FOUR NIFTY STOCKS LOST OVER ONE-FOURTH OF THEIR VALUE BETWEEN DIWALI 2021 AND DIWALI 2022



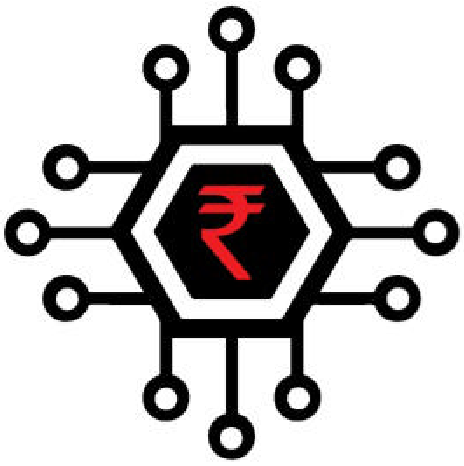
EXPECTATIONS FROM SAMVAT 2079

SOME ANALYSTS SEE THE SENSEX AND THE NIFTY SCALING NEW ALL-TIME HIGHS BY NEXT DIWALI

	TARGET BY NEXT DIWALI	
BROKERAGE	**SENSEX**	**Nifty**
RELIGARE BROKING	**64,000**	**19,000**
PRABHUDAS LILLADHER	**NA**	**20,936**
GEOJIT FINANCIAL SERVICES	**64,000**	**19,000**
AXIS SECURITIES	**NA**	**18,400***
SWASTIKA INVESTMART	**70,000**	**21,000**

*By March 2023; NA: Not Available

Data Source: ACE Equity



THE DIGITAL PILOT

KEEPING WITH THE deadline of 2023, the Reserve Bank of India (RBI) commenced its pilot project on November 1, 2022 for launching the digital rupee, more popularly known as Central Bank Digital Currency, or CBDC. The first pilot is in the wholesale segment. The use case is the settlement of secondary market transactions in government securities, which recorded a total value of ₹275 crore on the first day. The retail segment is planned for launch within a month in select locations in closed user groups. Currently, only nine banks have been identified for participation in the pilot. The CBDC's pilots will be closely watched for their efficacy and efficiency.

—TEENA JAIN KAUSHAL

THE 'INSIDE' INSIGHT

Securities and Exchange Board of India (Sebi) Chairperson Madhabi Puri Buch has brought in a lot of changes at the capital market watchdog with a strong focus on technology and data. At a recent event, the first woman chief of Sebi highlighted the fact that an in-house algorithm developed by "young officers" of the regulator works like "magic" and throws alerts related to serious market offences like insider trading and front running. "You can look at the data and say here is this guy, look at his trading pattern, that's insider trading. It is as simple as that," she said.

—ASHISH RUKHAIYAR

$525

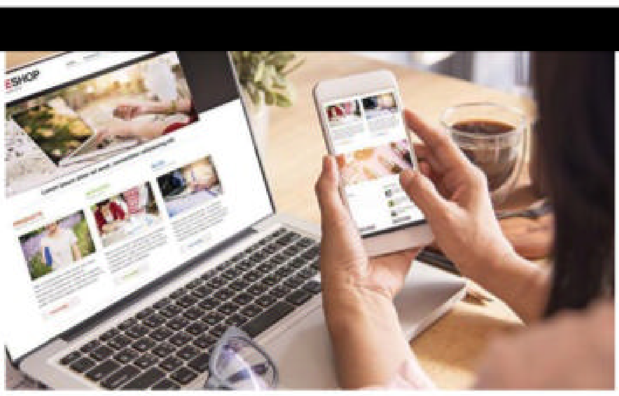
BILLION
INDIA'S FOREIGN EXCHANGE RESERVES ON OCTOBER 21, 2022. THE RESERVES ARE AT THE LOWEST LEVEL SINCE JULY 2020

SOARING AMBITIONS

PHOTO BY **ANI**

While laying the foundation stone of the C-295 transport aircraft manufacturing facility in Gujarat's Vadodara district, PM Narendra Modi said it had the potential to transform the country's aerospace and defence sectors. "I can see a time when some of the biggest passenger aircraft are also manufactured in India. And they will be carrying the words 'Made in India'," he declared. Once operational, the Tata Advanced Systems and Airbus Defence and Space's ₹22,000-crore JV will be the first private sector entity in both sectors. The first of the 40 Made in India aircraft is expected to roll out in H2 of 2026. The C-295 can take off or land on short or unprepared airstrips.

—MANISH PANT



ONLINE RETAIL'S 'CRUCIBLE MOMENT'

India will have more online shoppers than the US in the next one-two years, trailing only China, per a report by Bain & Co. and Flipkart. There are roughly 180-190 million online shoppers today, a figure estimated to touch 400-450 million by 2027. Most new shoppers hail from Tier III+ towns, and belong to the GenZ demographic. Forty per cent of new sellers are also from Tier II+ regions.

—SOHINI MITTER

Google vs CCI

TWO SUCCESSIVE FINES totalling ₹2,274 crore have been imposed on Google by the Competition Commission of India. The first, of ₹1,338 crore, was for anti-competitive practices related to its mobile Android operating system. The second fine, of ₹936 crore, was for abusing its dominant market position to promote its payments app and in-app payment system. The technology giant has not made its next move public, although there is a good chance it will fight it out. By the looks of it, there could be a long legal battle.

—KRISHNA GOPALAN

HIGH TAX, LOW DEFICIT

Helped by steady collections and measures to reduce tax evasion, India is expected to surpass its tax collection goal of ₹19.34 lakh crore by more than ₹2 lakh crore in the current fiscal, according to two officials with knowledge of the matter. Strong revenue receipts are giving PM Narendra Modi's government leeway to contain the budget deficit within 6.4 per cent of GDP amid a ballooning subsidy bill, said the officials.

—PRINCE TYAGI

LANDMARK RULING

In a ruling that could have repercussions for companies that fail to clear employees' dues after shutting operations, the NCLAT has held that the resolution plan of the Jalan-Kalrock Consortium for Jet Airways went against the Employees Provident Fund Act, 1952. The two-member NCLAT bench observed that the plan failed to provide for payment of provident fund and gratuity to the airline staff. Several employees termed the judgment as the best Diwali gift since the airline folded up in April 2019.

—MANISH PANT

PHOTO BY **RACHIT GOSWAMI**

REALITY CHECK

Some of the popular listings of 2021 have plunged over 50 per cent from their respective all-time highs so far. This includes Policybazaar operator PB Fintech, Paytm's parent entity One97 Communications, food delivery firm Zomato and FSN E-Commerce Ventures Ltd, which runs online fashion retailer Nykaa. Market watchers believe their IPOs' sky-high valuations have played spoilsport. "Investors with a high risk appetite can consider these shares," says Kranthi Bathini, Equity Strategist at WealthMills Securities.

—RAHUL OBEROI

$150 BILLION ➡ **PLANNED INVESTMENT BY GAUTAM ADANI'S GROUP IN BUSINESSES LIKE GREEN ENERGY, DATA CENTRES, AIRPORTS, HEALTHCARE AS IT CHASES THE DREAM TO JOIN AN ELITE GLOBAL CLUB OF COMPANIES WITH VALUATIONS OF $1 TRILLION**

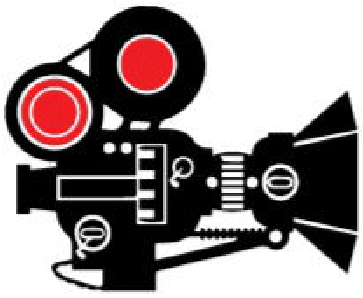
Shocks from Bharat

ONCE THE GROWTH driver for the country's consumer goods majors, the rural market has turned into their Achilles heel since the Covid-19 pandemic. From double-digit growth in pre-Covid-19 years, volume offtake in the hinterlands have turned negative in recent quarters. Volume sales of FMCG products in rural India have shrunk by 9 per cent—dragging the overall market by 6 per cent—between October 2021 and September 2022, as per Nielsen data. The faltering growth of consumer goods companies in India's small towns and villages points to the impact of steep inflation on rural household budgets.

—ARNAB DUTTA

PHOTO BY **MANEESH AGNIHOTRI**

IT'S SHOWTIME. AGAIN



Following a string of flops in Bollywood, multiplex operators are now banking on reruns of old Hindi films to get audiences back to the theatres. On the occasion of Shah Rukh Khan's birthday on November 2, PVR, INOX Movies and Cinépolis ran the superstar's blockbuster *Dilwale Dulhania Le Jayenge* on their screens. Ditto Amitabh Bachchan's 80th birthday, when the multiplexes brought back the megastar's cult films like *Deewar*, *Don*, *Namak Halal*, and *Amar Akbar Anthony*, and still saw full houses almost half a century after their release.

—PRERNA LIDHOO

Ray of Hope

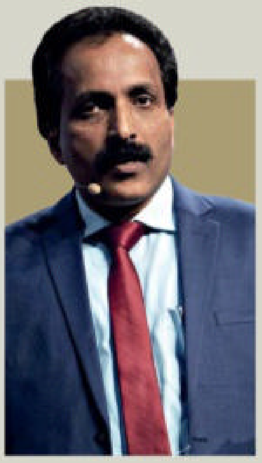
WITH INDIAN-ORIGIN RISHI SUNAK taking charge as the UK Prime Minister, hopes of more favourable deals from London have surged. An FTA between the two nations, that would be advantageous to Indian exporters, has been in the works, and is now expected to get further impetus. India is also pushing for relaxation in visa rules for Indians.

—**ARNAB DUTTA**

THE AMERICAN DREAM

Lupin CEO Vinita Gupta is focussed on strengthening the company's respiratory franchise in the US. Lupin aims to expand its portfolio of inhalation products, and as part of the plan, it recently signed a pact to acquire the rights to two inhalation medicines—Brovana Inhalation Solution and Xopenex HFA Inhalation Aerosol—from Sunovion Pharmaceuticals for $75 million. Gupta says the addition of these two brands enhances Lupin's position in the segment. All eyes are on the US market now.

—**NEETU CHANDRA SHARMA**



Rocket Man

India's dream of launching its first human spaceflight may become a reality towards the end of 2024. **Sreedhar Panicker Somanath**, Chairperson of ISRO and Secretary of the Department of Space, has said that the country is "well on its course". India's space sector is set for some high flying!

—**MANISH PANT**

CHARGING AHEAD

Maruti Suzuki is set to launch its first electric car in 2025. Chairman **R.C. Bhargava** doesn't feel that his company is late to the party, even as electric cars from his competitors have already hit Indian roads. "I don't think we started late. We started in a systematic manner by localising more," he said. In September, electric car sales in India grew 172 per cent YoY. It seems the EV battle is set to intensify further.

—**PRERNA LIDHOO**

THE HARBINGER

Zerodha Co-founder & CEO Nithin Kamath has some advice for millennials and the GenZ. With the retirement age declining and life expectancy increasing, the retirement crisis, according to him, could be the biggest problem for most countries 25 years from now. In a social media post, he has advised people to plan accordingly—start saving early and diversify across fixed deposits/G-secs and start SIPs of index funds/ETFs.

—**RAHUL OBEROI**

BHUJIA KING

SHIV RATAN AGARWAL has come a long way since launching the Bikaji brand in 1993 with the company now listing on the bourses. Given his stature in the savouries and snacks segment, which is estimated to be valued at ₹72,800 crore, he is fondly called 'guruji' by his peers. In nearly 30 years, he ensured that the brand—named after Bika Rao, the founder of Bikaner—became the largest manufacturer of Bikaneri *bhujia*. For Agarwal, snacking is serious business.

—**ASHISH RUKHAIYAR**

Falling Fortunes

SINCE THE beginning of 2022, Amazon Founder **Jeff Bezos** has lost over $77 billion of his wealth, with more than $7 billion wiped out in a single day after the online retail giant reported weak Q3 earnings. On November 1, Amazon's market cap dropped below $1 trillion for the first time since April 2020, amid a continuing sell-off in the stock. Bezos, who earns a majority of his wealth from his shareholding in Amazon, however, remains the world's fourth-richest person with a net worth of $115 billion as of November 3.

—**SOHINI MITTER**

RISHI SUNAK PHOTO BY ANI; **VINITA GUPTA** PHOTO BY RACHIT GOSWAMI;
R.C. BHARGAVA PHOTO BY BANDEEP SINGH

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Elon Musk's 'Free Bird'

According to the Tesla CEO, he has 'freed' Twitter after acquiring the social network for $44 billion. Or has he?

BY **SOHINI MITTER**

▶ **AFTER MUCH ADO,** Elon Musk is the official owner of Twitter. The Tesla chief, who first disclosed his 9.2 per cent Twitter shareholding in April, later going on to make a hostile bid for the social network, closed his $44-billion buyout just a day before a Delaware Chancery Court-ordered deadline of October 29. Before taking office, Musk tweeted: "The bird is freed".

His tenure as Twitter's new CEO (or what he calls "Chief Twit") began with the firings of incumbent CEO Parag Agrawal, CFO Ned Segal, and the company's legal affairs and policy chief Vijaya Gadde, who's infamous for issuing former US President Donald Trump a lifetime ban. Twitter Chairman Bret Taylor has also exited the firm.

Back in April, before things soured between Agrawal and Musk, the former had called the Tesla boss "both a passionate believer and intense critic of the service which is exactly what we need on @Twitter, and in the boardroom". Musk later expressed concerns over Twitter's content moderation policies and its large share of spam accounts—a key metric that determines advertiser reach—even wanting to pull out of the deal. Twitter sued Musk for backtracking on the proposed buyout, which it termed "legally binding".

MUSK'S LITMUS TEST WOULD BE TO GROW TWITTER WHILE SIMULTANEOUSLY ENSURING ITS LOYAL USER BASE IS RETAINED

After several months of to-and-fro and courtroom drama, the world's richest person took the microblogging platform private, paying $54.20 per share, which he reckons is a lot. Twitter shares finally stopped trading on the NYSE from October 28.

Shortly before the deal went through, Musk had hinted at overturning all lifetime bans, indicating a possible return of Trump to the platform. But, just a day before the buyout, on October 27, he addressed a note to 'Twitter Advertisers' saying: "Twitter obviously cannot become a free-for-all hellscape, where anything can be said with no consequences! In addition to adhering to the laws of the land, our platform must be warm and welcoming to all, where you can choose your desired experience according to your preferences." He also observed that social media in general runs the risk of being "splintered into far right-wing and far left-wing echo chambers".

So, what can Musk do to prevent Twitter from becoming a more divisive platform than it already is? Soon after the acquisition, he announced that the San Francisco-based company would be forming a 'Content Moderation Council' and "no major content decisions or account reinstatements will happen before that council convenes". He added that the council will have "widely diverse viewpoints", without disclosing any further details.

Musk also does not want Twitter to be 'free' for all. Soon after the takeover, reports emerged that he had ordered Twitter engineers to ship a paid verification feature for blue-tick users by November 7. Existing verified users who don't upgrade in 90 days stand to lose their blue ticks. Musk's plan to charge approximately $20 a month for verification badges came under the scanner immediately. As of November 2, Musk revised the subscription offering to $8 per month, justifying the price users need to pay.

Twitter Blue subscribers "will get priority in replies, mentions and search, which is essential to defeat spam/scam; ability to post long video and audio; half as many ads and paywall bypass for publishers willing to work with us... There will be a secondary tag below the name for someone who is a public figure, which is already the case for politicians," he explained in a thread.

This essentially means that anyone with purchasing power can now be Twitter-verified, raising critical questions on the identity and authenticity of users. Several people have raised concerns over fake profiles with blue ticks, impersonation, and other cybercrimes. Musk, of course, has no plan of action yet to tackle these.

It is evident that Musk is keen on growing the share of subscriptions in Twitter's overall revenue pie. Primarily advertising-driven until now, subscriptions could improve Twitter's margins, reckons the new boss. On October 31, Musk even launched a Twitter poll seeking views on whether he should "bring back Vine"? Vine was a short-video app, which Twitter acquired in 2012 but shut it down in 2016 for failing to monetise it. Now, with Musk's renewed focus on revenue streams for content creators, Vine could very well see a return as a separate app or an in-app integration within Twitter.

In the weeks leading up to the buyout, the Tesla chief had also hinted at his desire to turn Twitter into "X, the everything app". X could stand for a super app modelled on China's WeChat, which the West has failed to replicate so far. Twitter could potentially enable multiple services besides microblogging—from messaging and shopping to travel and payments—becoming a one-stop shop for users. While that might benefit its ad monetisation, spammy feeds and cluttered UIs could lead to a user exodus.

Musk's litmus test would be to grow Twitter, while simultaneously ensuring its loyal user base is retained. Can he succeed? Only time will tell. **BT**

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THE INDIA CONNECT

Sriram Krishnan, a well-known product expert in Silicon Valley, is helping out Elon Musk to fix things at Twitter. Krishnan is a General Partner at Andreessen Horowitz (also known as a16z), one of the largest venture capital firms in Silicon Valley. "I (and a16z) believe this is a hugely important company and can have great impact on the world and Elon is the person to make it happen," he tweeted, saying he is helping out Musk 'temporarily' and that his 'day job' remains at the investment firm. Chennai-born Krishnan, who graduated from Anna University's SRM Engineering College, is not new to Twitter. He had a stint with the company in 2017-2019, when he led the core consumer product teams and launched several products, including a redesigned events feature. He helped Twitter grow its user base by over 20 per cent in about two years, Krishnan's LinkedIn profile says. He has also worked with tech giants Meta (Facebook), Snap and Microsoft in the past.

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A Leap Towards Integration

AirAsia's decision to sell its equity in its Indian subsidiary to Air India shows the national flag carrier's turnaround strategy is well on track

BY **MANISH PANT**

▶ **IT WAS A** development in the works ever since salt-to-software conglomerate the Tata group took over national flag carrier Air India in January. In a filing with Malaysian stock exchange Bursa Malaysia in early November, AirAsia's holding company Capital A Berhad—formerly AirAsia Group Berhad—said it had agreed to sell its 16.33 per cent stake in AirAsia India to Air India for $18.83 million.

"Covid-19 has allowed us to re-examine our priorities, and we felt that it was best suited for AirAsia to develop an ASEAN-only business," Bo Lingam, Group CEO of AirAsia Aviation Group Ltd (AAGL), said.

Low-cost carrier (LCC) AirAsia India is currently the country's fifth-largest airline with a 5.9 per cent market share and it has a fleet of 28 aircraft with 196 daily departures to 18 destinations.

Terming the news as positive for AAGL, an industry insider who declined to be identified says it will allow AirAsia to focus on their core ASEAN markets and, by and large, recoup its investment. "Despite its successes elsewhere or maybe because of them, it failed in India," he says.

AirAsia India is the country's fifth-largest airline with a 5.9 per cent market share

Since commencing operations in June 2014, the LCC has never reported a profit. In FY22, total income rose to ₹1,914 crore from ₹1,483 crore in FY21, while expenses ballooned to ₹4,092 crore from ₹3,015 crore, leading to losses of ₹2,179 crore from ₹1,532 crore in FY21.

Meanwhile, Air India has constituted a working group to integrate AirAsia India with its low-cost subsidiary Air India Express. The group is co-led by Sunil Bhaskaran, CEO & MD, AirAsia India and Aloke Singh, CEO, Air India Express, and reports to a committee chaired by Air India MD & CEO, Campbell Wilson. "We are excited to initiate the creation of a single Air India Group low-cost carrier. This is a key step in the rationalisation and transformation of the group," Wilson said.

Satyendra Pandey, Managing Partner of aviation advisory AT-TV, agrees. "The AirAsia India network, which is fully domestic, and the Air India Express network, which is largely international and focussed on the Middle-East, fit together well," he says. "It will be critical to build scale and channelise scarce capital in the most productive manner. The coming together of Air India and AirAsia India will lead to a sharper focus in the LCC market for the group," says Jagannarayan Padmanabhan, Director & Practice Leader for Transport & Logistics at CRISIL Infrastructure Advisory.

Coming within days of Singapore Airlines hinting at a potential integration of Vistara with Air India, the development shows that Air India's turnaround strategy is well on track. BT

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Benevolence of the Richest

Philanthropy is flourishing in the country as overall donations more than doubled to ₹5,666 crore in FY22 from ₹2,318 crore in FY18

BY **SOHINI MITTER**

▶ **INDIA'S RICHEST ARE** not only growing richer, but also becoming more generous. Or so reveals the ninth edition of the EdelGive Hurun India Philanthropy List. Overall donations more than doubled to ₹5,666 crore in FY22 from ₹2,318 crore in FY18. The 2022 list takes into account donations (by value of cash or cash-equivalents) made by the richest Indians between April 1, 2021, and March 31, 2022.

HCL Founder Shiv Nadar, 77, has emerged as the most generous Indian in this period, with annual donations of ₹1,161 crore—more than ₹3 crore a day on average in FY22. Trailing him in the second position is Wipro's Azim Premji, whose annual donations stood at ₹484 crore. Premji is also the only living Indian to feature in the EdelGive Hurun Philanthropists of the Century list.

WITH ANNUAL DONATIONS OF ₹1,161 CRORE, HCL FOUNDER SHIV NADAR HAS EMERGED AS THE MOST GENEROUS INDIAN IN FY22

PHOTO BY **T NARAYAN**

Other prominent givers in the top 10 include RIL Chairman Mukesh Ambani (₹411 crore); Aditya Birla Group Chairman Kumar Mangalam Birla (₹242 crore); Mindtree's Co-founders Susmita and Subroto Bagchi (₹213 crore) and Radha and N.S. Parthasarathy (₹213 crore); Adani Group's Gautam Adani (₹190 crore); Vedanta Chairman Anil Agarwal (₹165 crore), Infosys Co-founder Nandan Nilekani (₹159 crore), and L&T Executive Chairman A.M. Naik (₹142 crore).

Naik made all his donations "exclusively in his personal capacity", unlike the top nine who gave through family and other endowment funds, according to Hurun. The 80-year-old is also the first professional manager to enter the top 10 of the EdelGive Hurun India Philanthropy List.

Besides legacy companies, new-age start-up entrepreneurs have also made their presence felt in the list, with Zerodha's Nithin and Nikhil Kamath breaking into the top 10 of individual givers. The Kamath brothers made annual donations of ₹100 crore, up 308 per cent from a year ago. Flipkart Co-founder Binny Bansal and Unilazer Ventures' Ronnie and Zarina Screwvala also feature in the list.

Commenting on the growing pool of givers, Anas Rahman Junaid, MD and Chief Researcher of Hurun India, says: "Over the last five years, the number of donors who have given more than ₹100 crore has grown from two to 15; and [those who have given] over ₹50 crore has grown from five to 20. Considering the wealth creation potential of India and assuming that the billionaires keep up with philanthropy, I expect these numbers to at least double over the next five years."

Warren Buffett once said, "If you're in the luckiest 1 per cent of humanity, you owe it to the rest of humanity to think about the other 99 per cent." India's richest are certainly paying heed. **BT**

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Connections, Interrupted

Both WhatsApp and Instagram suffered global outages in October, the second year in a row that Meta's services went down in that period

BY **NIDHI SINGAL**

▶ **FOR TECH GIANT** Meta, October has been the cruellest month—especially in the past two years. A day after Diwali—the festival of lights that saw millions of messages being exchanged over WhatsApp in India—users the world over used microblogging site Twitter to vent their frustration at being unable to send and receive messages, videos and photos on the messaging platform. Soon, #WhatsAppDown was trending on Twitter after the outage on October 25.

The complete bouquet of WhatsApp services—video and voice calls, status features, and other crucial services such as WhatsApp Business and WhatsApp Pay also failed to operate. The outage lasted for about two hours—one of the longest for WhatsApp. Parent company Meta, while apologising for the outage, said: "The brief outage was a result of a technical error on our part and has now been resolved."

Meta loses more than $200,000 for every hour it is offline, as per reports

About a week later, on the evening of October 31, it was time for photo-sharing service Instagram to suffer an outage. Users across the world complained about not being able to access their accounts, with several even losing followers. Services were restored in around eight hours after parent Meta resolved the bug. Not much is known about the recent outage, though.

This isn't the first time Meta has suffered outages in October. Last year, Meta's entire family of apps—Facebook, WhatsApp and Instagram—suffered an outage that was more than five hours long. The disruption was attributed to a faulty configuration change on routers that coordinate the company's networks.

Since the recent global WhatsApp outage, Meta has been asked by India's Ministry of Electronics and Information Technology (MeitY) to submit a report behind the reason for the outage to ICERT, the nodal cybersecurity agency of the government. That's routine as it is procedural for MeitY to take action when there is any disruption to the internet in India's geographical domain.

While outages leave users frustrated, companies lose money. Some reports suggest that for every hour the company is offline, Meta loses more than $200,000. In fact, last year's outage saw Founder Mark Zuckerberg's net worth going down by more than $8 billion. Facebook's other significant outage was in 2019, when technical errors affected its websites for 24 hours.

But it's not just Meta that suffers outages. Google's search engine was briefly down in August this year, while Twitter suffered an hour's outage in July. And while users are a frustrated lot because of the interrupted connections, such outages hit companies where it hurts the most. **BT**

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The first draft of the telecom Bill has raised more questions than it has answered

BY **PRERNA LIDHOO**

▶ **IN INDIA, IT** is common to place calls over messaging apps in places with patchy cellular networks. But does that mean that over-the-top (OTT) messaging services like WhatsApp and Signal can be considered telecom service providers? The recently introduced draft Indian Telecommunications Bill, 2022, seems to think so. The Bill has placed OTT communication services like WhatsApp, Signal, and Facebook, internet and broadband companies, and even in-flight communication services under the umbrella of 'telecom services'. The government is expected to release a second draft of the Bill after receiving feedback from stakeholders.

Telecom operators like Bharti Airtel, Reliance Jio, and Vodafone Idea have been pushing for regulation of OTT communication apps. The Cellular Operators Association of India (COAI) says uniform regulations should be adopted for all OTT players, including communication over apps such as WhatsApp, Signal, and Telegram. It says that the Department of Telecommunications (DoT) should define OTT communication services in the Bill to ensure a level playing field for all.

However, Mahesh Uppal, Director of ComFirst, a telecommunications consultancy firm, says the comparison is misplaced. While OTT apps provide a subset of services that are common to telecom companies, they aren't peers. "OTT players depend on a telecom company to offer their services. If they [telecom companies] don't provide a network, you can't use WhatsApp," he explains, adding that the rules for telecom companies are not simply for providing phone or text services; and their revenues, too, are not just based on them. Other services such as broadband and data contribute significant revenue.

OTTs ARE FREE FROM ANY OBLIGATIONS BUT ENJOY ALL THE PRIVILEGES OF DELIVERING THE SAME SERVICES AS TELECOM OPERATORS, SAYS THE COAI

On bandwidth, the COAI highlights another point. It says that OTT players consume a huge amount of bandwidth, which puts pressure on the network infrastructure established by telecom operators. Uppal, however, says that there is another side to it. "OTTs are credited with bringing a lot of business for telecom companies. If there is no WhatsApp or Zoom, telecom companies' data services won't be used much," he says.

Currently, telecom companies are mandated to buy spectrum and comply with regulations for offering voice and data services while OTT players are allowed to provide free audio and video calling, the COAI says. It adds that the OTT players enjoy all the privileges of delivering the same services as telecom operators, without having to bear any of the regulatory or security obligations, and investment or network requirements.

Meanwhile, the Asia Internet Coalition—that represents big tech firms such as Meta, Apple, Alphabet, and Amazon—has also raised concerns about the Bill, saying that the government may ask messaging platforms such as WhatsApp and Signal to break encryption and disclose messages in response to surveillance orders. However, a section of the industry feels that regulating OTT communication services is a must for end-user protection and national security.

With so many concerns raised about the first draft of the Bill, it seems that an updated telecom law is still some distance away. **BT**

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Prof. Anand Krishnamoorthi
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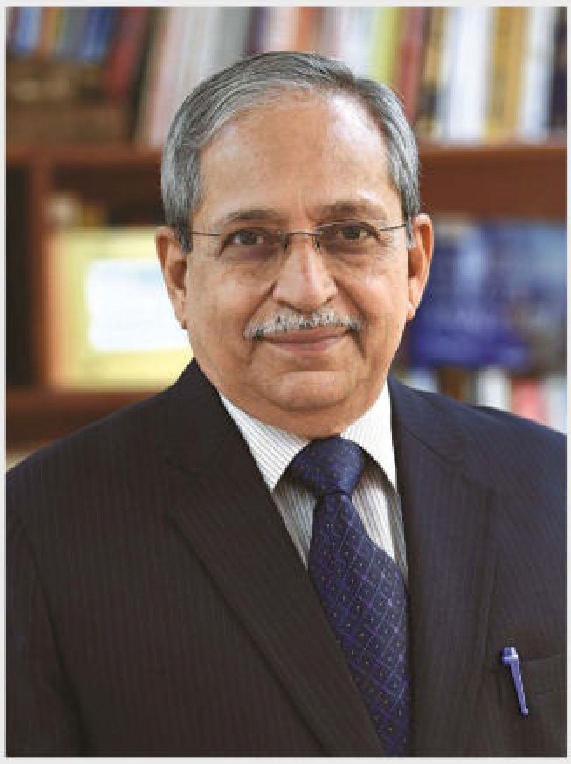

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About BIMTECH

The Birla Institute of Management Technology (BIMTECH) was established in 1988 under the aegis of the Birla Academy of Art and Culture. The Institute is governed by an eminent board of governors mostly drawn from the top echelons of the industry.

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Taxing the Income of Charities

Two recent Supreme Court rulings are likely to lead to higher taxes for such institutions in the near future

BY **DINESH KANABAR**

IT IS KNOWN that we need to give back to society if we want the upliftment of all. Indeed, high net-worth individuals the world over have been contributing significantly to philanthropic purposes. In India, corporate social responsibility has been made mandatory and most companies go beyond the minimum requirements of law. Tax laws generally provide that charitable organisations are not subject to taxation if they are recognised and fulfil certain conditions. A question then arises, when one is carrying on charitable activities such as running a hospital or providing education, and a charge is levied for such services, is the income arising from such charges taxable or not? Tax laws contain provisions that require organisations structured as charities to not be able to distribute any profits they make; instead, they need to invest the surplus cash in specified modes of investment such as government securities (G-secs).

These protections against profiteering notwithstanding, the taxability of income derived from the rendering of services in the course of carrying out charitable activities has been a subject matter of controversy.

The tax laws contain provisions for taxation of income of institutions like educational establishments and hospitals, whose income is exempt and a separate set of provisions for other charities such as relief of poverty and institutions that carry on activities of general public utility. Recently, the Supreme Court of India delivered two landmark and far-reaching judgments that will impact the taxability of both these categories of organisations.

Insofar as educational institutions are concerned, there are two conditions. First, these organisations should be set up “solely” for educational purposes; and, second, they should not carry on activities for the purposes of profit. Thus far, the Supreme Court had held that the requirement of the objects of an organisation to be solely for educational purposes would be met if education was the pre-dominant purpose. The Supreme Court has now held in the case of New Noble Education Society vs. Chief Commissioner of Income-tax that the word ‘solely’ would mean that education should be the only purpose of such organisations. Such organisations could carry on incidental activities such as selling textbooks to students, providing hostel facilities to their own students or operate bus services for their students; beyond that, they cannot have any other objects. Again, the provision of these incidental services should only be to their own students. More important, the Supreme Court has implied that the motive of such organisations should not be to make profits. They may make profits in rendering their main or incidental objects, but they should largely provide education at or marginally above cost. If

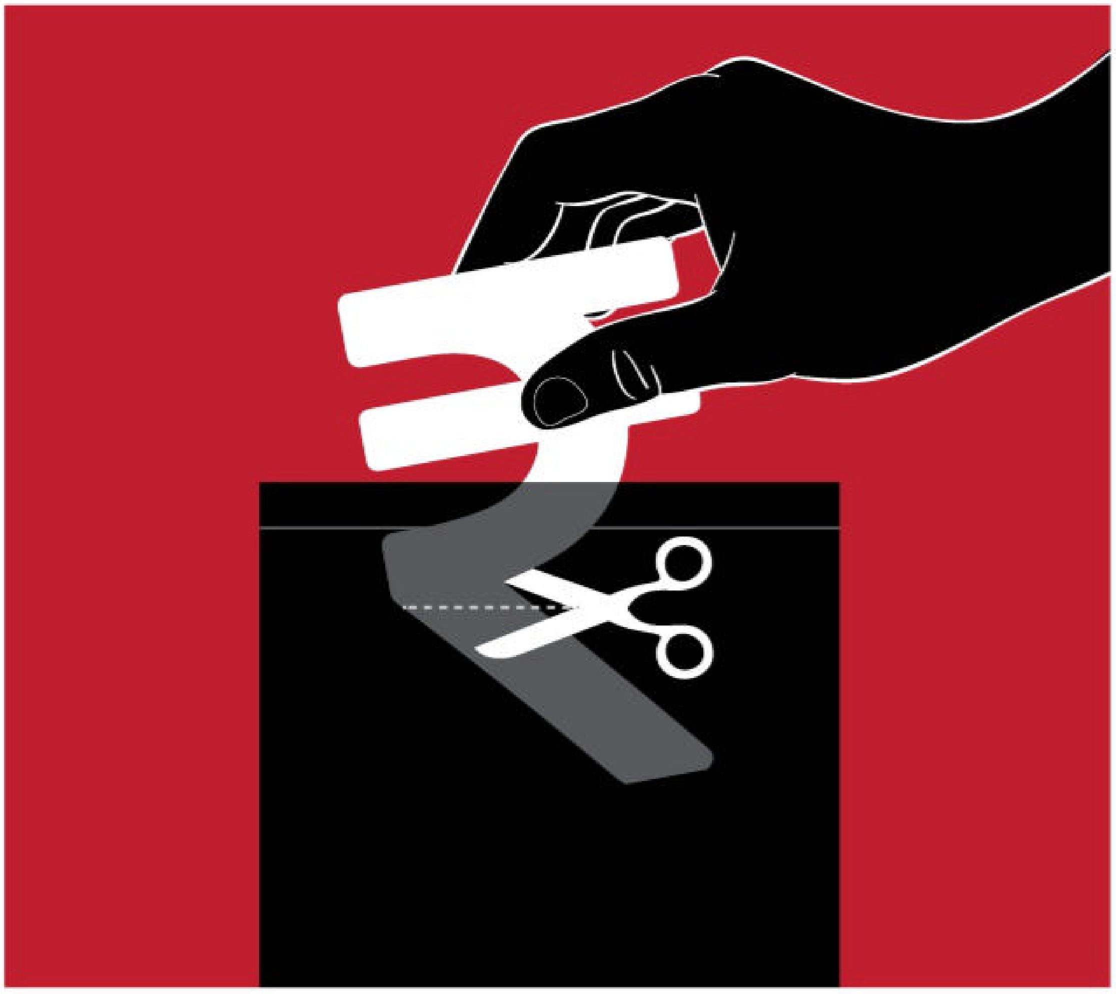


ILLUSTRATION BY **RAJ VERMA**

profit is the motive of rendering such services, they would not qualify for tax exemption. Since the provisions relating to taxation of hospitals are similar, this judgment would equally apply to them. Thus far, the way educational institutes and hospitals have operated has been that they may provide free or subsidised facilities to the needy, and possibly charge hefty fees from those who can afford it; they use the surplus generated by this to promote their overall objectives. It would now appear that providing facilities at market-driven prices may likely fall foul of what the Supreme Court has held and the tax exemption may be lost.

The second judgment is in the case of Assistant Commissioner of Income-tax (Exemption) vs. Ahmedabad Urban Development Authority that deals with an even wider range of institutions that carry on charitable activities of general public utility. This includes chambers of commerce, sports associations, trade bodies, institutions governing professions and private trusts that may promote art and similar other activities. Under the income tax Act, these entities can earn incidental income by carrying out trade, business or commerce provided that the income from these activities does not exceed (as per the current provisions) 20 per cent of their gross receipts.

The 145-page judgment eloquently deals with the taxation of different categories of such institutions. Among them, for trade bodies and chambers of commerce, the apex court has held that the normal charges levied for rendering their core services would not fall foul of the provisions and need not be within the 20 per cent limit; but, if such bodies rent out their facilities or provide consulting services or if trade fairs are held where rents are earned from non-members, all such income would constitute carrying on of trade business or commerce and would be subject to the 20 per cent cap.

For sports associations like state cricket councils and the BCCI, the Supreme Court has observed that these entities promote sports and identify sportsmen and therefore carry on activities of general public utility and qualify as charitable organisations. But this per se does not qualify them for tax exemption. It observed that BCCI sells media rights, state associations own stadiums and they all operate like businesses. Such income would potentially fall foul of the 20 per cent limit. The Supreme Court has remanded the matter back to the tax authorities to examine the nexus between the expenditure incurred to promote the sport and the income earned and the income not so related would potentially constitute business income and be subject to tax.

It is important to note that the Supreme Court had repeatedly observed that such organisations that carry on activities of general public utility are charitable organisations and the essence of such charity would be that they render services at or marginally above cost and that they do not make substantial profits.

The two judgments overturn some of the currently accepted notions on how charities should be taxed. In the case of educational institutions, since the reasoning of some of the earlier Supreme Court judgments has been overturned, the judgments have been held to apply prospectively. All charitable organisations will need to have a very close re-look at their objects and, more important, how they charge for their services. Those earning profits out of charitable activities could face a significant tax burden despite the fact that such surpluses are redeployed for charitable purposes. It would be interesting to see how the ensuing Budget deals with the Supreme Court judgments and makes amendments to soften the blow. **BT**

The writer is CEO of Dhruva Advisors LLP. Views are personal

MODI’S UNIC

BY ***RAJAT MISHRA*** *AND* ***ANAND ADHIKARI***

PHOTO BY **HARDIK CHHABRA**

PRIYA RAWAT
Chief Operating Officer

BHASKAR CHATURVEDI
Chief Financial Officer

RANJANA JETLEY
Chief Communications Officer

ORN

INVEST INDIA, THE COUNTRY’S INVESTMENT PROMOTION AGENCY, IS GOING ALL GUNS BLAZING TO FULFIL THE PRIME MINISTER’S VISION OF PROPELLING INDIA INTO THE NEXT DECADE

AASTHA GROVER
Vice President

DUSHYANT THAKOR
Sr. Vice President

DEEPAK BAGLA
Managing Director & CEO

A FEW YEARS ago, the CEO of a multinational company (MNC) flew down to experience India's 'friendly' business climate. The honcho ended up standing for hours at the jam-packed immigration desk at the airport. Some months later, when the CEO visited Vietnam, another competing destination for foreign investors, the President of the South-East Asian country rushed to the airport to welcome him. These are small, soft things; yet they matter. Things seem to be changing after Invest India, the country's investment promotion agency (IPA) which is a one-stop shop for foreign investors, was set up and empowered. Recently, the Invest India team went to receive a global CEO where the aircraft touched down.

It's another story that the team had to speak to multiple departments to get clearances. "Costs are similar worldwide, [but] the investment decision in any country also depends on softer issues," says Deepak Bagla, MD & CEO of Invest India, sitting in his first-floor office at Delhi's Vigyan Bhawan. This quasi-government organisation, nestled in Delhi's posh Lutyens area, is fast emerging as the biggest driver for foreign investment. "We are good at joining the dots in a jigsaw puzzle," says Bagla, who knows a thing or two about investors' psyche, having worked for marquee names like the World Bank and Citibank.

India had record FDI inflows of $84.83 billion in FY22 (3.5 per cent higher than in FY21), despite the Covid-19 outbreak. Although China receives more than $180 billion annually, India's current FDI run rate has more than doubled compared to a decade ago. "In the last few years, Invest India alone has been instrumental in getting investments worth ₹3 lakh crore ($33 billion) and is now working on getting in a total of ₹16 lakh crore ($196 billion) worth of investment. We have helped create 450,000 jobs, supported 81,000-plus start-ups, solved 300,000-plus queries from 174 countries, and facilitated 1,323 investment projects," rattles off Priya Rawat, Invest India's COO.

This activity was propelled by the government under Prime Minister Narendra Modi. A year after taking over as PM, Modi had famously said: "The industry of red tape thrives on doubt, while the road with a red carpet is built on trust." In a sense, Invest India is Modi's very own unicorn. "To change red tape into red carpet, to hand-hold investors, to ease the investor journey, to facilitate investment and to be a one-stop shop, Invest India has done an excellent job towards the Hon'ble PM's vision of making India the most preferred investment destination in the world," says A.K. Sharma, who had worked closely with Modi in Gujarat (when Modi was chief minister between 2001 and 2014) and is currently Energy Minister in the Uttar Pradesh government.

FDI inflows exceeded $22 billion in Q1FY23, which, at the present rate, would bring the year's total to $90 billion. When Invest India won the 2020 UN Investment Promotion Award, Modi wrote, "Over the last few years, India has received record FDI and created millions of jobs. It is in this journey that Invest India, the start-up of the Government of India, has played a crucial role in unleashing the country's talent, creativity, and zeal."

A recent EY-CII report talks about India's potential to attract FDI inflows of $475 billion in the next five years. What's making investors line up is a clear road map of India's ambitions. "The Indian economy will reach tenfold in the next 25 years, by 2047. With political stability, high competitiveness, collective efforts and a developing economic system, India will become an economic force in the world to reckon with," Union Commerce and Industry Minister Piyush Goyal said at the Indian Institute of Foreign Trade in Andhra Pradesh recently. Around a month ago, India displaced the UK as the world's fifth-largest economy. The timely production-linked incentive (PLI) scheme with an outlay of ₹2 lakh crore ($24.30 billion) in sectors like consumer electronics, auto, and pharma is attracting global multinationals like Dell, Dixon, Foxconn and Flex, among

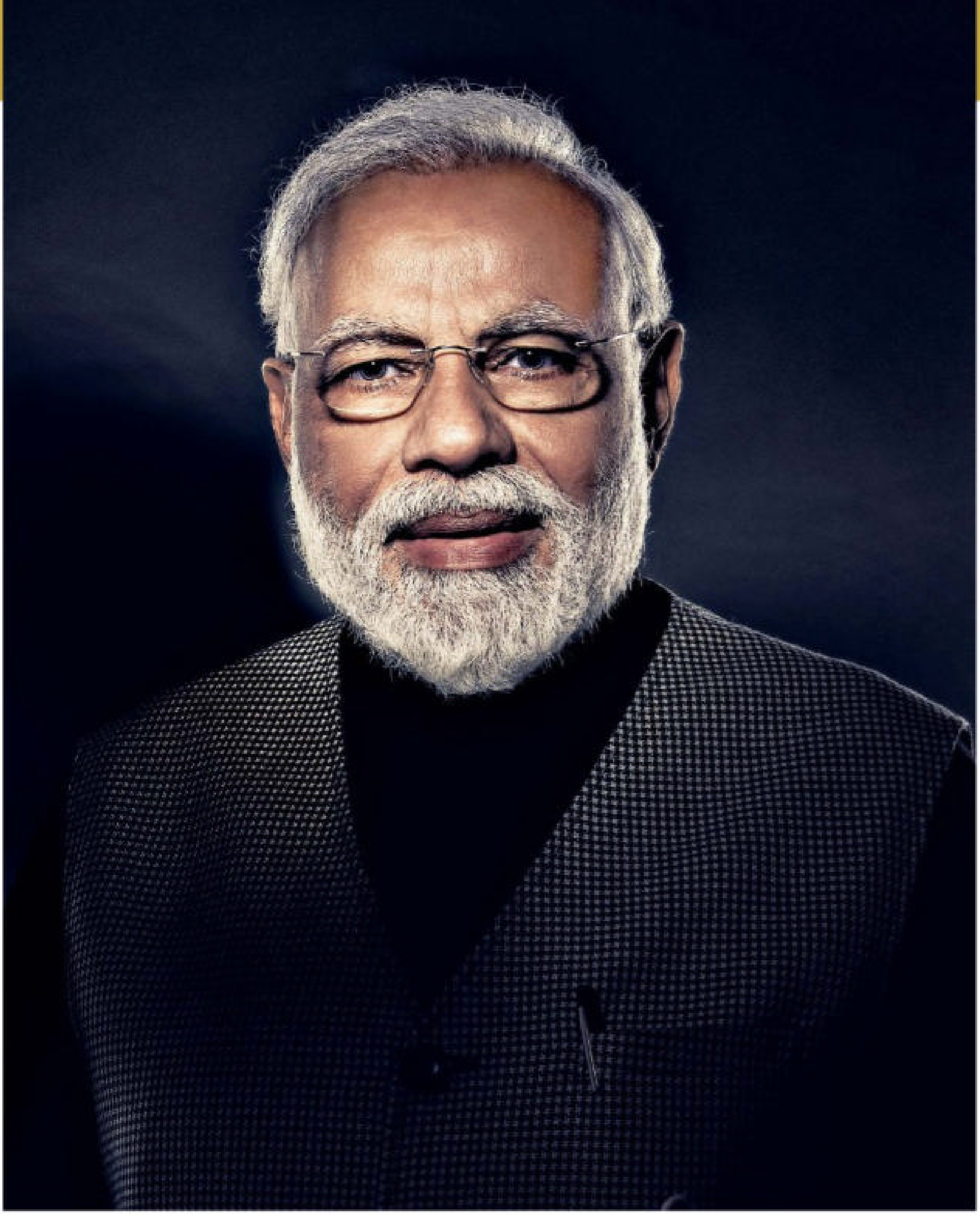


PHOTO BY **BANDEEP SINGH**

others. India is now being increasingly discussed in global boardrooms as a 'China plus 1' option.

WITH 411 EMPLOYEES, most of whom are young women, Invest India addresses every minute detail of investment. Founded in 2009 as a 49:51 joint venture between the central government and industry association Ficci, not much happened for the first seven years. "There was a small room within Ficci with not enough space to have meetings with investors," says a person in the know. In fact, when professional CEO Bagla landed in February 2015, he had to do team meetings in a coffee shop near Delhi's Bengali Market.

Things started to change around that time, when state governments were brought in as equity partners. The team under Bagla, which finally got a home at Vigyan Bhawan in January 2017, started creating new concept notes, brought in new ways of creating research reports, showing foreigners where the opportunities are, etc. "The government always had problems recruiting young people to come for a short time and make an impact. Often, the best and brightest also want to work in other areas such as consulting, finance, tech, etc. At the same time, there are several young people who are committed to helping the country, but don't want to make a lifetime of it," says Adil Zainulbhai, head of the Capacity Building Commission, which is mandated with transforming the Indian civil services learning ecosystem.

Bagla says the private-sector character of Invest India helps the government understand the investor's perspective. "When

> **"Over the last few years, India has received record FDI and created millions of jobs. It is in this journey that Invest India, the start-up of the Government of India, has played a crucial role in unleashing the county's talent, creativity and zeal... The efforts towards increasing both ease of living and ease of doing business as also making our systems vibrant and resilient have paved the way for unlimited opportunities"**
>
> **NARENDRA MODI, PRIME MINISTER OF INDIA**
> (EXCERPTS TAKEN FROM THE PM'S LETTER TO INVEST INDIA ON DECEMBER 19, 2020)

we have an entire team here with a private sector background, they know exactly how investors are thinking," he says. The agency is the first point of contact for MNCs. "The first thing they want is complete facilitation, complete hand-holding, which is what Invest India does for them, from location search to showing them the opportunity to getting all approvals," says Bagla (*see interview for details*). The agency has a team dedicated to each government department, a team dedicated to states, and also countries. "They function in a matrix fashion," he adds.

There is an interesting story of how Invest India engaged with Sweden-based Autoliv that makes safety airbags, among other auto components. The Philippines, Vietnam, and Thailand were the shortlisted destinations. The agency's team, which got in touch with them after a roadshow, found that the company had earlier shortlisted a location in Chennai, but couldn't proceed because of high costs. "We moved the selected land parcel 4.5 km away [from Chennai] to Cheyyar town and moved to a lease model. Now it is cheaper than anywhere else in the world, so the investment has moved to India," smiles Bagla.

Similarly, in early 2000, French multinational Groupe PSA (now called Stellantis after its recent merger with Fiat Chrysler), known for brand Peugeot, exited India. By the mid-2000s, it was in a dire financial state, and began scouting for a globally competitive manufacturing destination. Invest India did some digging and found out that one of the board members was an Indian. It got in touch with him for a meeting with the board. The team flew down to Paris and made a strong pitch. It explained the market opportunity, favourable regulations, choices of states for a plant, and likely incentives. Finally, in 2017, PSA partnered with the CK Birla Group by taking over the ailing Hindustan Motors plant in south India. "That was one of our first big wins," recalls an Invest India professional.

The agency is pulling off big projects despite having one of the lowest budgets among the world's top 20 IPAs. But, Bagla and his squad, with an average age of 29, aren't grumbling. Sample this: Pallavi Bishnoi, who looks after the Americas and Korea-plus desk, left her Goldman Sachs job to join Invest India. Meanwhile, Varda Taneja, who handles the Western Europe desk, has done a Masters from the London School of Economics.

Mahindra Group Chairman Anand Mahindra vouches for the team. "A young, professional and committed team has ushered in a 'can do' mindset. It is the team which seamlessly joins the dots and frames the picture. In effect, they have created a social 'unicorn;' a start-up, which in place of a billion-dollar valuation, impacts over a billion people!" Cadila Healthcare Chairman Pankaj R. Patel says it certainly goes to show that the institution has been able to look beyond the conventional framework of engaging and retaining talent and "offers the right milieu for rewarding careers". DPIIT Secretary Anurag Jain says: "It [Invest India] has demonstrated effective and efficient utilisation of public resources and consistently delivered cost-efficient substantial outcomes." All three sit on the agency's 10-member board, which also includes Accenture's Rekha Menon and Nasscom's Debjani Ghosh. Jain is the Chairman.

Invest India is also helping start-ups through the Startup India mission, which it runs. For example, 1mg, a start-up in the digital health

THE JOURNEY SO FAR

A central single-window clearance system is being widely awaited

2009

Invest India set up with a 51 per cent shareholding of Ficci and 49 per cent owned by the central government through DPIIT

2014

Make in India campaign launched

2015

New action plan, budget, salary structure approved by the Board of Directors and support from World Bank Group (WBG) begins

2016

Dedicated office space in New Delhi; Startup India campaign launched

2017

Private shareholding broadened with Ficci, CII and Nasscom owning 17 per cent each; state IPA capacity-building project launched in collaboration with WBG; expanded office space

2020

Work commences on the central single window system; Secretariat of Empowered Group of Secretaries and Project Development Cells established

SOURCE
WORLD BANK GROUP, WITH INPUTS FROM INVEST INDIA

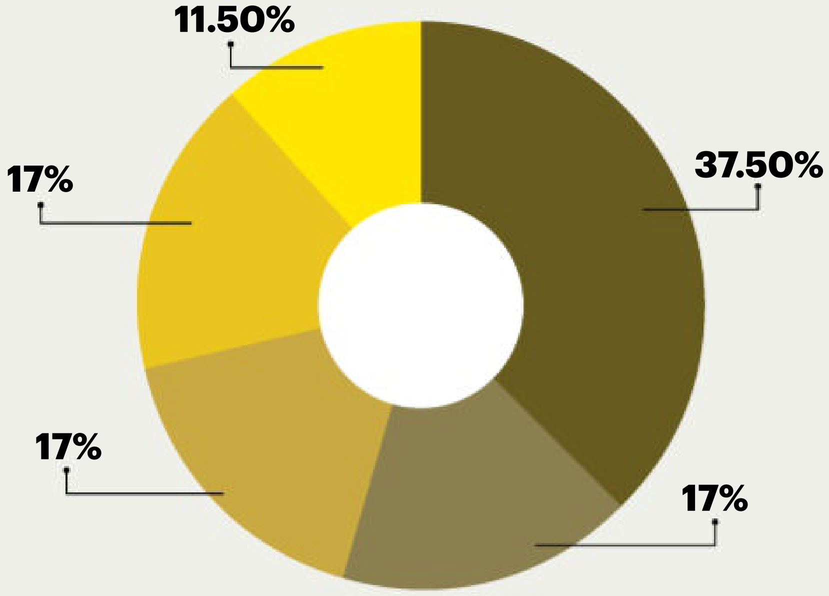
> “The Indian economy will reach tenfold in the next 25 years, by 2047. With political stability, high competitiveness, collective efforts and a developing economic system, India will become an economic force in the world to reckon with”

PIYUSH GOYAL
UNION COMMERCE AND INDUSTRY MINISTER

BREAKING STEREOTYPES

Since non-government entities together hold a majority stake in Invest India, it offers flexibility in operations

(SHAREHOLDING IN PER CENT)

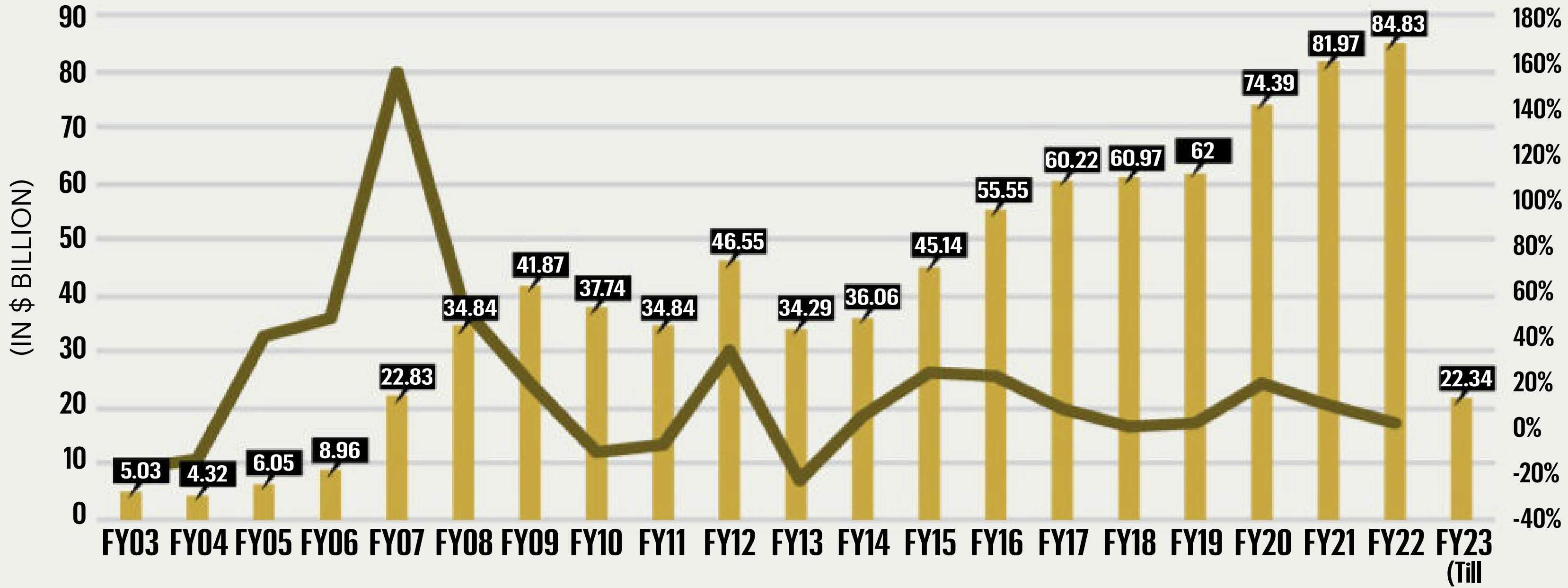


● DPIIT ● FICCI ● NASSCOM ● CII ● STATES*

DPIIT DEPARTMENT FOR PROMOTION OF INDUSTRY AND INTERNAL TRADE
FICCI FEDERATION OF INDIAN CHAMBERS OF COMMERCE AND INDUSTRY
NASSCOM NATIONAL ASSOCIATION OF SOFTWARE AND SERVICE COMPANIES **CII** CONFEDERATION OF INDIAN INDUSTRY
*23 STATES OWN 11.5 PER CENT
SHAREHOLDING FROM MAY 2014 TILL DATE
SOURCE INVEST INDIA

THE BIG PICTURE

FDI of more than $500 billion from 162 countries have gone into 31 Indian states and UTs over the past eight years



● FDI (LHS) ● % INCREASE (RHS); FIGURES FOR FY22 AND FY23 ARE PROVISIONAL
SOURCE DEPARTMENT FOR PROMOTION OF INDUSTRY AND INTERNAL TRADE

space that was recently acquired by the Tatas, has a good experience to share. "Our prospective investors had significant issues with visas. The Invest India team facilitated direct conversation with the requisite ministries to ensure that the investors got quick entry," says Tata 1mg CEO Prashant Tandon. Amitabh Kant, India's G20 Sherpa, says softer elements are crucial to attracting investors. "They have done a remarkable job of projecting, promoting and putting India on the global map," he says.

Invest India also helps out ministries in their work. For instance, the women and child development ministry. "From developing an indigenised version of the Global Gender Gap Index to financial and technical monitoring of the ministry's research projects, Invest India's DRISHTI [research] team has been supporting the ministry's core mandate," says Women and Child Development Minister Smriti Z. Irani.

Despite the pandemic, India's FDI story continued as Reliance Industries attracted investors like Facebook, General Atlantic, KKR, and Google for a $26-billion-plus stake sale in Jio Platforms and Reliance Retail Ventures. "Jio's transactions certainly helped keep the FDI at a record level," agrees Samir Sheth, Partner & Head of Deal Advisory Services at BDO India. Bagla is proud of the Startup India mission, which was launched in January 2016, and came under the Invest India fold from Day One. "We had 450 start-ups at that time. Today, we have [over] 81,000 start-ups and 107 unicorns," he says.

A YEAR AGO, Taiwanese giant Foxconn was scouting for potential locations. When India decided to provide incentives for creating a global hub for semiconductors, the electronics major set its eyes on the country. Soon after, states like Maharashtra, Karnataka, Tamil Nadu, Telangana and Gujarat began courting it. Finally,

Q&A

'GOOD ECONOMICS IS AT THE CENTRE OF GOOD POLITICS'

Invest India MD & CEO **Deepak Bagla** on competitive federalism, start-ups and more

BY **SOURAV MAJUMDAR, ANAND ADHIKARI** and **RAJAT MISHRA**

INVEST INDIA, THE country's investment promotion agency, acts as a catalyst for foreign direct investment (FDI) into India. Its recent successes have led to the World Bank creating a case study on it, says Deepak Bagla, MD & CEO of Invest India. The agency also has additional responsibility of Startup India and the Prime Minister's science and technology initiative. Bagla, who has had stints with the World Bank and Citibank and is the current President of the World Association of Investment Promotion Agencies (WAIPA), speaks on a range of issues in an interaction with *BT*. Edited excerpts:

▶ ▶ ▶

What are the significant highlights of Invest India in the past few years?

The most interesting thing, and it's ironic, is that starting up a business in India was complex for foreign investors, and yet India did not have an investment promotion agency (IPA). Every other country in the world had one, especially if you look at the top 20 FDI destinations. There are two aspects to it. One is that it provides facilitation to the investor to handle everything. More importantly, it is a message to foreign investors that the government welcomes them. And that is what you were looking at when the honourable Prime Minister said: "I want to turn the red tape into a red carpet." This is the red carpet.

▶ ▶ ▶

We have states vying with each other for FDI. Competitive federalism is very valid now...

In a recent election in a state in northern India about two or three years ago, there was a full-page ad that said 'we are No. 1 in ease of doing business in northern India'. The day that happens, you realise that good economics is at the centre of good politics. That is a big change, which has been brought about by the current

PHOTO BY **HARDIK CHHABRA**

FOCUS ON INVESTORS Deepak Bagla, MD & CEO of Invest India, says investors prefer a plug-and-play model

leadership. And this is what Invest India personifies. We are working with state governments, showing them global best practices, then rating Indian global best practices vis-à-vis theirs, and then training them to come up the curve on those. We have also started partnering the states that are doing better with the ones that are weaker.

The other interesting element is how state governments are upgrading their industrial parks to make India a plug-and-play model. This is very important, especially for the movement of MSMEs. If I have a big mobile maker coming in, you want the entire supply chain. The supply chain is MSMEs. The first thing they want is complete facilitation, hand-holding, which is what Invest India does—from location search to showing them the opportunity to getting all approvals.

The second, which is more important for them, is that they need an ecosystem within which they can work and do a plug-and-play model. That is what we are seeing developing very fast in India.

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What kind of work is Invest India doing in the start-up space?

The first challenge was to create the ecosystem. Second, how do we respect failure? That was a social challenge. We work with each state government on its specific start-up policy, creating the ecosystem, creating the incentives, taking best-case examples from one and sharing with the other. The next step is to see how we can bring all the start-ups together and help them by joining the dots. So, we created the Startup India Hub, which is like a virtual incubator. In that virtual incubator, you get everything from learning how to ideate, to creating a presentation, to meeting a VC, to finding a mentor, to getting an incubator, and to getting a market. Hand-holding happens [through the] entire chain.

We also have the Prime Minister's science and technology initiative. There are two elements to it—one is waste to wealth. We are bringing in new technologies on waste to wealth. For example, we are trying to see how the Ghazipur dump (in Delhi) can be converted into a road.

The other element is that we are bringing in the best innovations from outside the government into the government, be it agriculture, defence, etc.

▶▶▶

How are you engaging with the domestic, large industrial houses or even the large to medium industrial houses, which also need some hand-holding?

Of the ₹2.4 lakh crore investment that we have already brought in, close to about ₹18,000-20,000 crore is domestic investment. We have created a project management group for big companies. This used to be earlier under the Cabinet Secretariat. Even the large private projects can come in. And these are being monitored at the highest level. So, in their daily meetings with either the chief secretary or the chief minister's office of that state, or senior government officials from India, [they are asked] where is it stuck? What more can we do? We go state by state. And we have already sorted out a large number of these issues. But the big change is [that] we have made it far more vibrant.

▶▶▶

Does WAIPA help in getting FDI?

The World Bank advises all governments on investment promotion. And they were with us from Day One. They actually created a case study on Invest India last October, which they have shared with governments across the globe to tell them how they can structure an IPA, and how a country's leadership can create an institution of global excellence in a short period of time. So, how WAIPA helps us is it creates awareness across the world, that [India] is the place which is now really open to investment. The other very interesting thing for me is, when we are looking at India, two-thirds of my GDP is driven by domestic demand. So, you come, you create here, you create economies of scale. And then you export. For me, it is important to open other markets for these companies, so they can export from here. That's where WAIPA comes in. **BT**

@TheSouravM, @anandadhikari, @RajatMishra9518

Foxconn and joint venture partner Vedanta zeroed in on Gujarat and Maharashtra; the former managed to walk away with the ₹1.54-lakh crore project this September. Maharashtra lost yet another deal to Gujarat when European aviation major Airbus and the Tatas also selected Gujarat for a ₹22,000-crore aircraft manufacturing facility in October.

This battle amongst states for FDI was never seen before. For instance, Karnataka, the state with the second-largest FDI share, has country corridors—a Japanese industrial township in Tumakuru, and a Taiwan industrial park in Devanahalli.

This June, the government announced Andhra Pradesh, Gujarat, Haryana, Karnataka, Punjab, Tamil Nadu, and Telangana as top achievers based on implementation of the Business Reforms Action Plan, which includes reforms in areas such as the single-window system, land, labour and information access, among others. The changes are visible on the ground. "There are new IPAs in Odisha, UP, and the entire North-East, which never had any investment agency," says Bagla.

The agency also has a dashboard with MoU updates from states. The next stage is a national dashboard. Currently, Invest India is doing the bulk of the hand-holding. For example, Danish wind turbine firm Vestas, which has been present in India since 1989, reached out to Invest India for help in getting some two dozen licences and permits to set up a blade manufacturing unit. It was looking to set up another unit after its positive experience in Gujarat. Vestas finally set up a greenfield manufacturing unit in Chennai with an investment of $100 million.

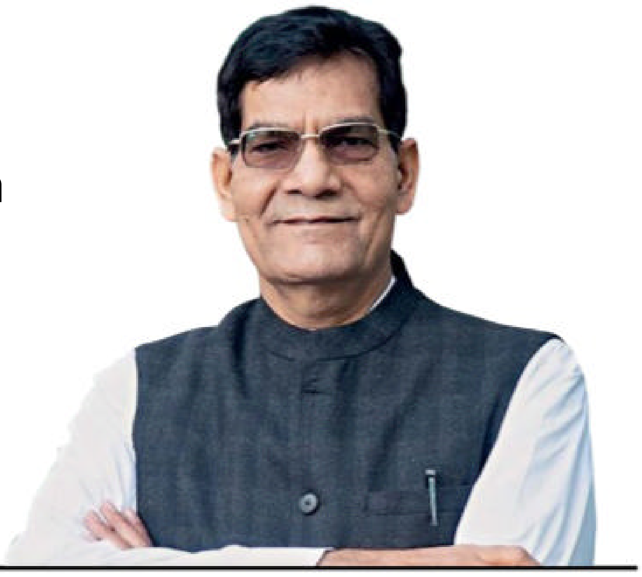
The agency claims that the states' contribution is also broad-based, with 31 states and Union territories attracting FDI. "Never before has that happened," says Bagla. Meghalaya and Nagaland were amongst the new states receiving investment in FY22. "For me, it is not just the amount. FDI is about trust in India. It's about trust in India's leadership. It's about trust in India's tomorrow. It's about trust in India's opportunity," he says.

Experts say the top four-five states are consolidating their position by cornering a large share of FDI. Mumbai traditionally gets FDI in financial services, Bengaluru gets technology, and Delhi-NCR gets real estate and construction. Bagla suggests that any sector that has a consumer base is seeing good interest. "There is huge interest in data storage, renewables, and PLI sectors," he says. Mansukh Mandaviya, Minister for Health and Family Affairs, says Invest India has been critical in creating the perfect ecosystem for healthcare investments over many years, "especially during the past 30 months".

The message to foreign investors is very clear. "You have one person to call and we will do the rest," says Bishnoi of Invest India. While the pecking order of the investee countries has remained the same for the past two decades—tax-friendly Mauritius and Singapore are the top two—165 countries have contributed to FDI inflows in FY22.

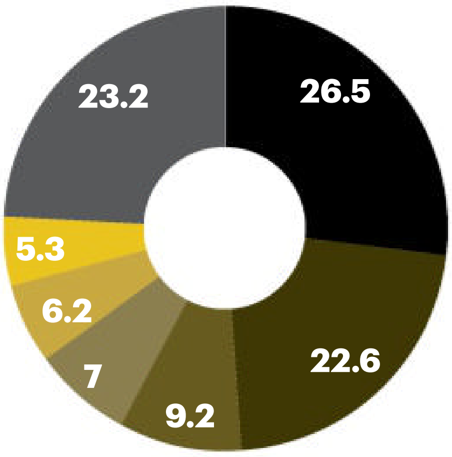
The agency is now casting a wider net. "Even in the government setup, investors' meetings take precedence over other meetings. The challenge to the team here is to never change the time of an investor meeting," says Bagla. Invest India's office often sees visits by delegations from various countries, political leaders and ambassadors to discuss multiple themes. "The agency has been devoting significant resources towards capacity building and creating a best-in-class investor experience

> **"To change red tape into red carpet, to hand-hold investors, to ease the investor journey, to facilitate investment and to be a one-stop shop, Invest India has done an excellent job towards the Hon'ble PM's vision of making India the most preferred investment destination in the world"**
>
> **A.K. SHARMA**
> MINISTER OF ENERGY, GOVERNMENT OF UTTAR PRADESH



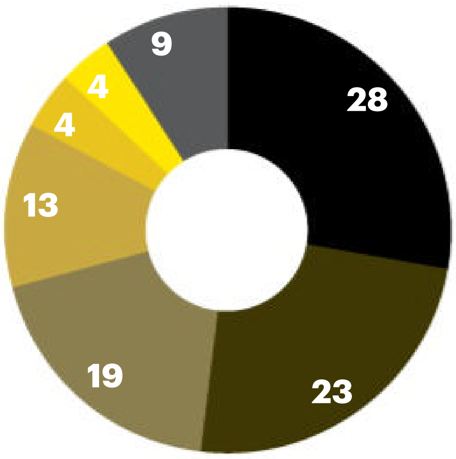
THE FDI TRACK IN INDIA

A large share of investments to India from big economies are routed through Mauritius and Singapore



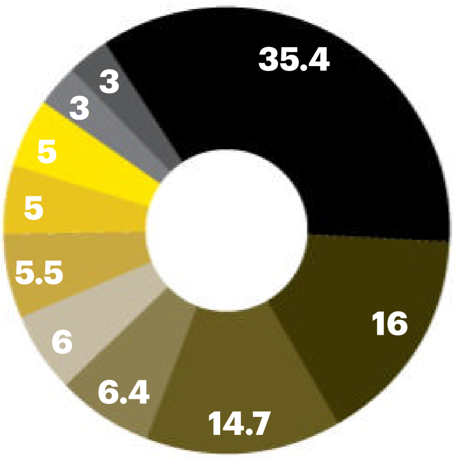
CUMULATIVE FIGURES FOR APRIL 2000 TO JUNE 2022

Maharashtra, Karnataka and Gujarat cornered a lion's share of FDI flowing into India



CUMULATIVE FIGURES FOR OCTOBER 2019 TO JUNE 2022

While the services sector received the largest amount of FDI, manufacturing lagged behind



CUMULATIVE FIGURES FOR APRIL 2000 TO JUNE 2022

SHARE IN FDI IN PER CENT; FDI EQUITY FLOWS IN DOLLAR TERMS
SOURCE DEPARTMENT FOR PROMOTION OF INDUSTRY AND INTERNAL TRADE

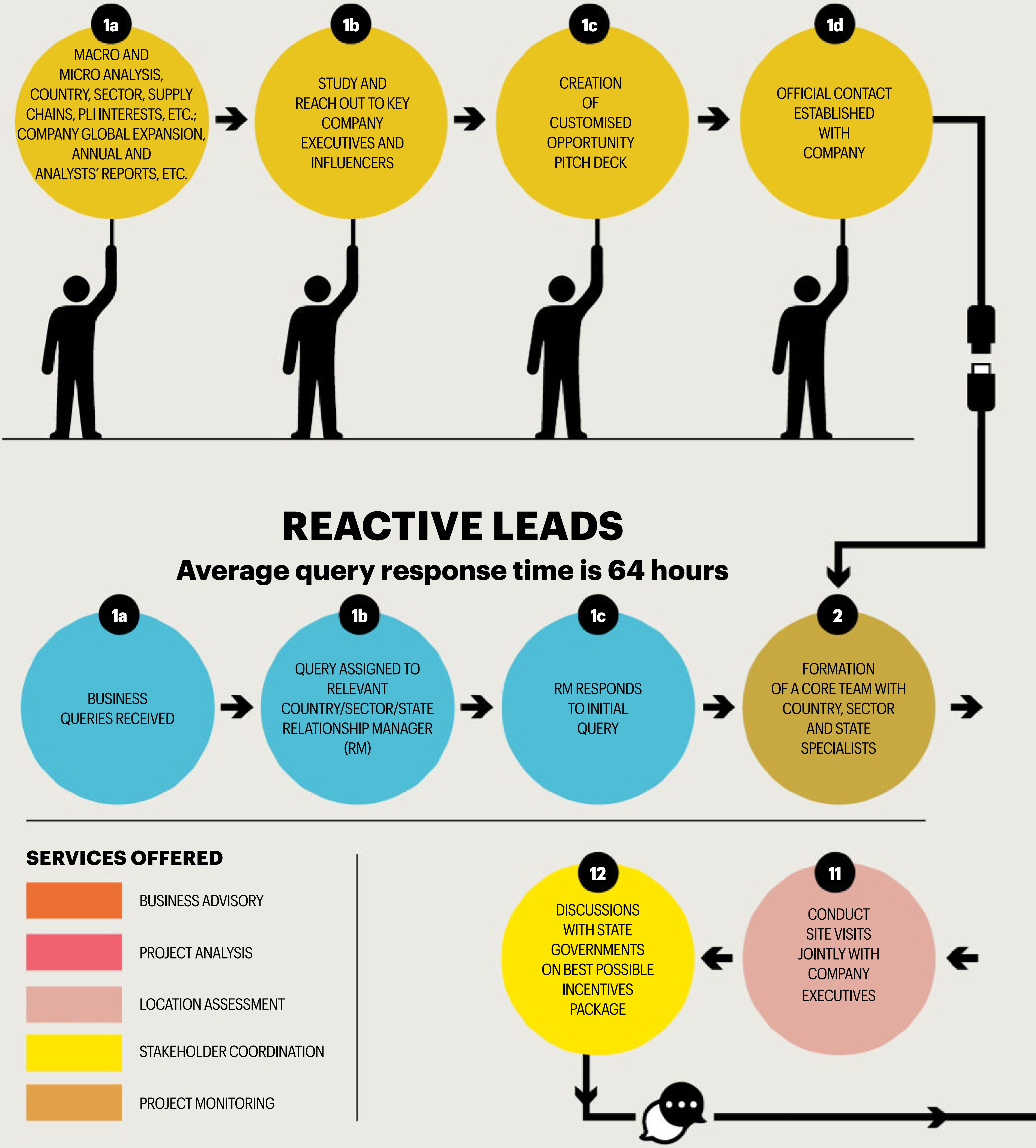
from exploration to establishment, operation and expansion," says Armando E. Heilbron, Investment Promotion Workstream Leader at World Bank. As part of the strategy, there is a focus on 'anchor' investors to attract FDI via a supply chain. For instance, if a big mobile maker wants to enter, Invest India works with it to bring in its entire supply chain.

The team's ears are also glued to investor calls of global multinationals. "We pick up how many times the name of India was mentioned. Then we analyse the nature of the comments, whether positive or negative. This gives us good feedback to work on," says Bagla. Then there are certain marquee projects that Invest India wants. "We map out the decision-makers in prospective global companies interested in India, including the board members, past experience, India connection, if any," he adds. This is an entirely new, cut-throat approach to marketing India.

The agency has also picked up lessons from China, which excelled in attracting foreign capital. "Investment promotion is both about form and substance. But what matters most is how you manage and treat the investor," says Bagla. It has an internal investor relationship management tool called Nalanda, which keeps track of investment projects as well as the progress made. Invest India adds investor case details on Nalanda for regular tracking and monitoring. "The respective country or embassy can log in and see the details on a daily, real-time basis," says Bagla. He adds that Invest India even finds out if the visiting foreign guests like tea or coffee and the amount of sugar they add to it, so they can be served without being asked.

Ismail Ersahin, Executive Director at the World Association of Investment Promotion Agencies (WAIPA, of which Bagla is President), says a very creditable feature of Invest India is its openness

INVEST INDIA:



PROACTIVE TARGETING

1a MACRO AND MICRO ANALYSIS, COUNTRY, SECTOR, SUPPLY CHAINS, PLI INTERESTS, ETC.; COMPANY GLOBAL EXPANSION, ANNUAL AND ANALYSTS' REPORTS, ETC. →

1b STUDY AND REACH OUT TO KEY COMPANY EXECUTIVES AND INFLUENCERS →

1c CREATION OF CUSTOMISED OPPORTUNITY PITCH DECK →

1d OFFICIAL CONTACT ESTABLISHED WITH COMPANY

REACTIVE LEADS

Average query response time is 64 hours

1a BUSINESS QUERIES RECEIVED →

1b QUERY ASSIGNED TO RELEVANT COUNTRY/SECTOR/STATE RELATIONSHIP MANAGER (RM) →

1c RM RESPONDS TO INITIAL QUERY →

2 FORMATION OF A CORE TEAM WITH COUNTRY, SECTOR AND STATE SPECIALISTS →

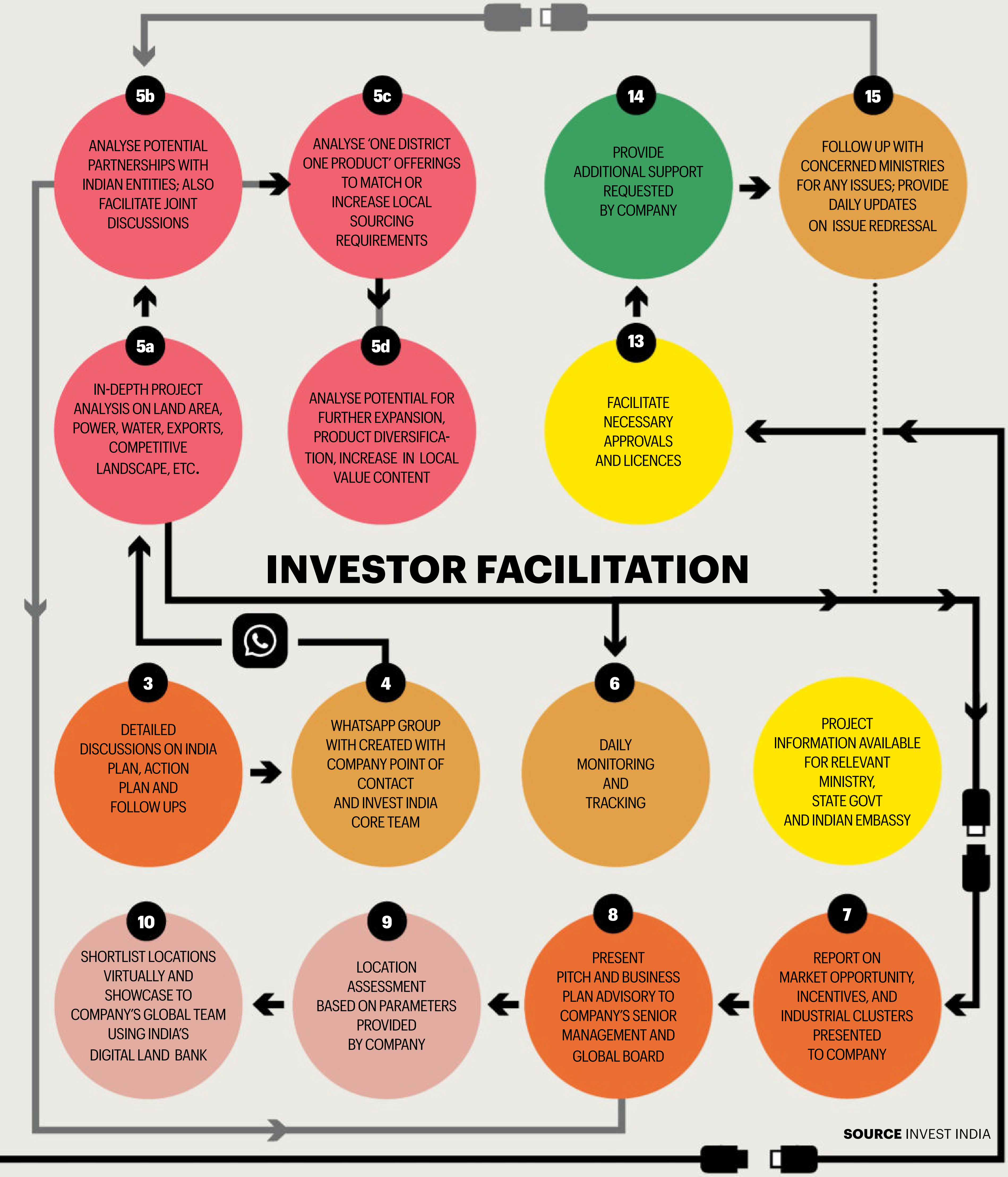
SERVICES OFFERED

- 🟧 BUSINESS ADVISORY
- 🟥 PROJECT ANALYSIS
- 🟫 LOCATION ASSESSMENT
- 🟨 STAKEHOLDER COORDINATION
- 🟧 PROJECT MONITORING

← **11** CONDUCT SITE VISITS JOINTLY WITH COMPANY EXECUTIVES

← **12** DISCUSSIONS WITH STATE GOVERNMENTS ON BEST POSSIBLE INCENTIVES PACKAGE

HOW THEY DO IT



INVESTOR FACILITATION

3
DETAILED DISCUSSIONS ON INDIA PLAN, ACTION PLAN AND FOLLOW UPS

4
WHATSAPP GROUP WITH CREATED WITH COMPANY POINT OF CONTACT AND INVEST INDIA CORE TEAM

5a
IN-DEPTH PROJECT ANALYSIS ON LAND AREA, POWER, WATER, EXPORTS, COMPETITIVE LANDSCAPE, ETC.

5b
ANALYSE POTENTIAL PARTNERSHIPS WITH INDIAN ENTITIES; ALSO FACILITATE JOINT DISCUSSIONS

5c
ANALYSE 'ONE DISTRICT ONE PRODUCT' OFFERINGS TO MATCH OR INCREASE LOCAL SOURCING REQUIREMENTS

5d
ANALYSE POTENTIAL FOR FURTHER EXPANSION, PRODUCT DIVERSIFICATION, INCREASE IN LOCAL VALUE CONTENT

6
DAILY MONITORING AND TRACKING

PROJECT INFORMATION AVAILABLE FOR RELEVANT MINISTRY, STATE GOVT AND INDIAN EMBASSY

7
REPORT ON MARKET OPPORTUNITY, INCENTIVES, AND INDUSTRIAL CLUSTERS PRESENTED TO COMPANY

8
PRESENT PITCH AND BUSINESS PLAN ADVISORY TO COMPANY'S SENIOR MANAGEMENT AND GLOBAL BOARD

9
LOCATION ASSESSMENT BASED ON PARAMETERS PROVIDED BY COMPANY

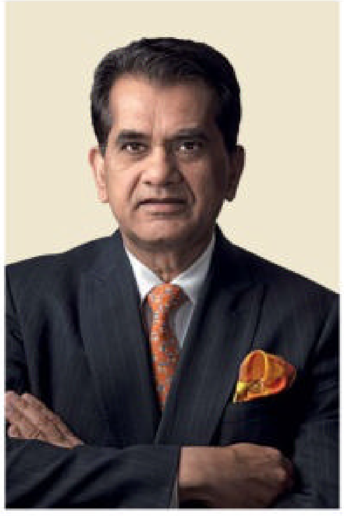
10
SHORTLIST LOCATIONS VIRTUALLY AND SHOWCASE TO COMPANY'S GLOBAL TEAM USING INDIA'S DIGITAL LAND BANK

13
FACILITATE NECESSARY APPROVALS AND LICENCES

14
PROVIDE ADDITIONAL SUPPORT REQUESTED BY COMPANY

15
FOLLOW UP WITH CONCERNED MINISTRIES FOR ANY ISSUES; PROVIDE DAILY UPDATES ON ISSUE REDRESSAL

SOURCE INVEST INDIA



"The challenge for India is to grow at high rates for the next three decades. This requires very personalised hand-holding of investors... It's... [about] personally getting in touch with large MNCs, entrepreneurs, [and] convincing their CEOs and CFOs to come to India"

AMITABH KANT
INDIA'S G20 SHERPA

"A young and professional team has ushered in a 'can do' mindset. It is the team which seamlessly joins the dots and frames the picture. In effect, they have created a social 'unicorn'; a start-up, which in place of a billion-dollar valuation, impacts over a billion people!"

ANAND MAHINDRA
CHAIRMAN, MAHINDRA GROUP

"Invest India is a unique platform for investors and businesses... It has played a key role in the digitalisation of the investor journey and revolutionised the investor engagement in India through portals such as National Single Window and India Investment Grid"

ANURAG JAIN
SECRETARY, DPIIT

to partner, help and support other countries, especially in sharing their learnings and best practices. "This has positioned Invest India as a trusted partner of other countries," he says.

Still, there is work to be done. In the World Competitiveness Index, created by the Switzerland-based Institute of Management Development, India is ranked 37; China is 17. An EY-CII report says MNCs expect momentum on faster execution of infrastructure projects, ease of doing business, tax reforms, and implementation of trade agreements.

The last point is critical. India now has three economic partnership agreements with Japan, South Korea and the UAE, as well as two economic cooperation pacts with Malaysia and Singapore. Some experts question the need for FTAs with smaller trading partners like Canada, Australia, the UAE, and the UK. "Canada opens up North America for you now with the global shift happening. The UAE opens up the entire continent of Africa. That is a big market. These are the gateways," defends Bagla. In terms of future challenges, the forces of deglobalisation and new global taxes on MNCs could also impact FDI flows. India's story received a big jolt recently when MNCs like Ford, Metro, Holcim, Harley-Davidson and General Motors left the country.

But the corridors of Invest India are witnessing a flurry of activity with investors moving in and out. Bagla would like to have an Invest India desk at all major airports in the country. In fact, when he was asked to prepare a business plan for the next 10 years, he remarked that if all goes well, there should be no Invest India by 2035. "You will not need it," he signs off. BT

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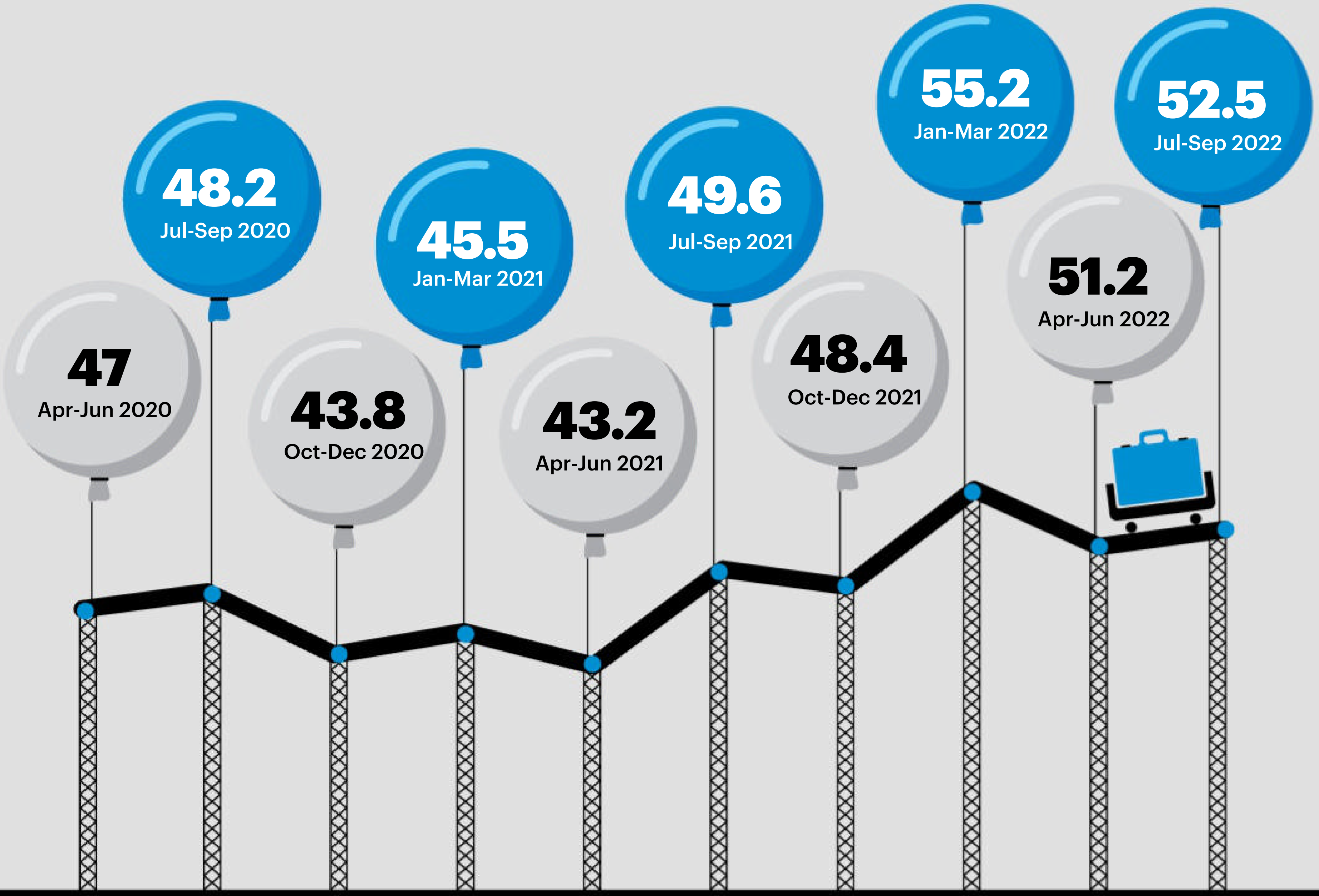
A TALE OF TWO SENTIMENTS

WITH SO MUCH UNCERTAINTY AROUND, THE *BT*-C FORE BUSINESS CONFIDENCE INDEX FOR Q2 WAS EXPECTED TO BE TEPID, BUT IT HAS COME OUT WARMER THAN ANTICIPATED. WHAT GIVES?

BY **ALOKESH BHATTACHARYYA** • GRAPHICS BY **RAJ VERMA**

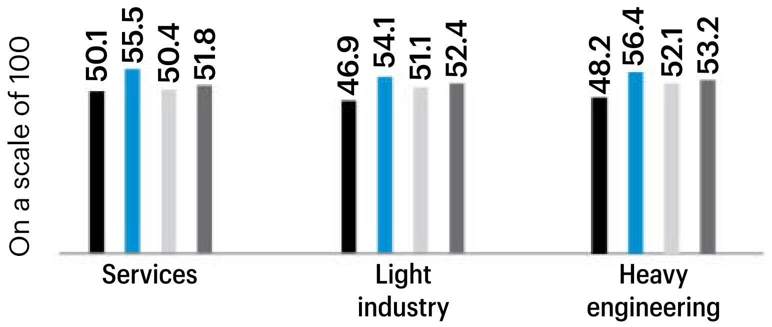
BACK UP AGAIN

BCI CLIMBS AGAIN IN Q2 OF FY23 AFTER RECORDING A SLIP IN Q1



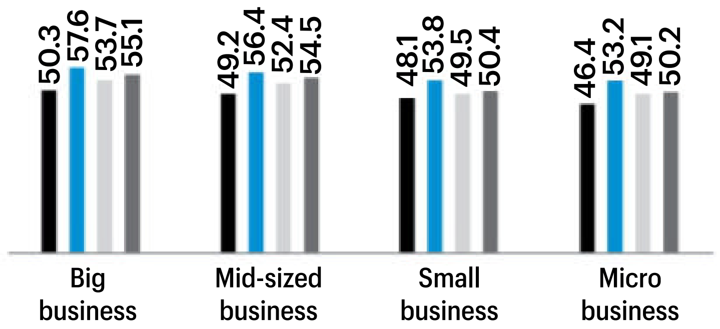
FEELING BETTER

Industries of all types have seen a rise in confidence in Q2...



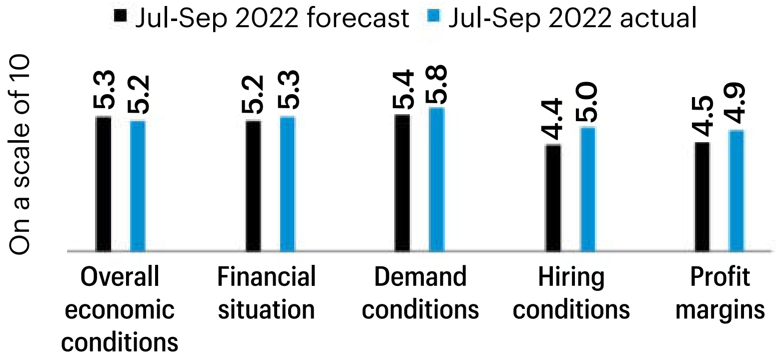
■ Oct-Dec 2021 ■ Jan-Mar 2022
■ Apr-Jun 2022 ■ Jul-Sep 2022

...and so have industries across size categories

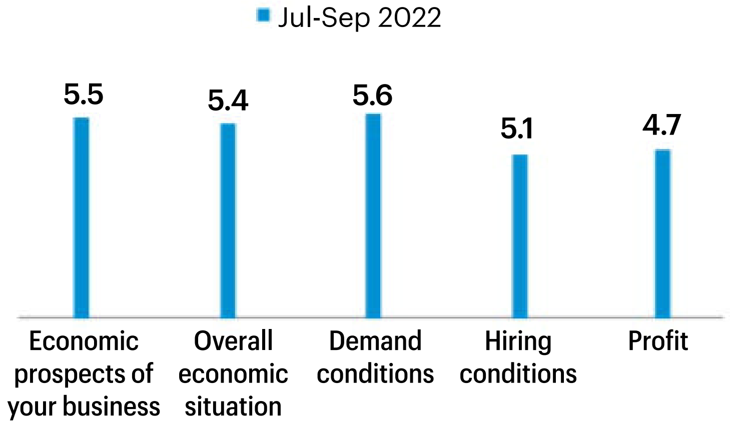


BETTERING EXPECTATIONS

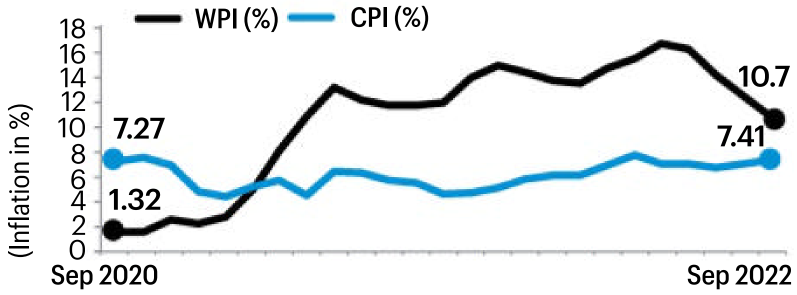
Performance of businesses across most measurables for Q2FY23 was better than what was forecast for the quarter...



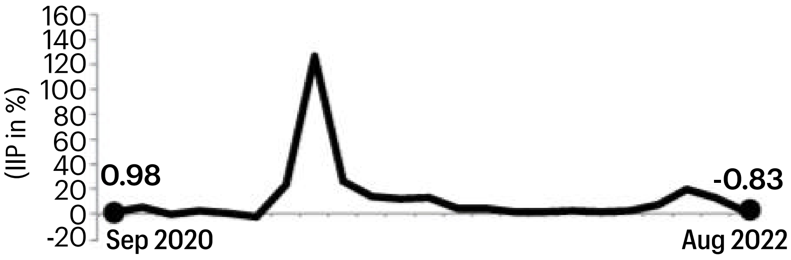
...and their forecasts for the October-December quarter are even better



Wholesale inflation has moderated, but retail inflation is rising again

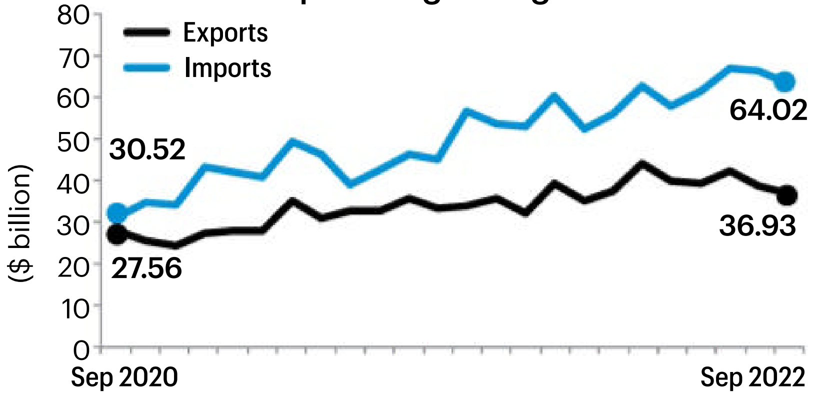


Industrial production (IIP) is on a downward curve



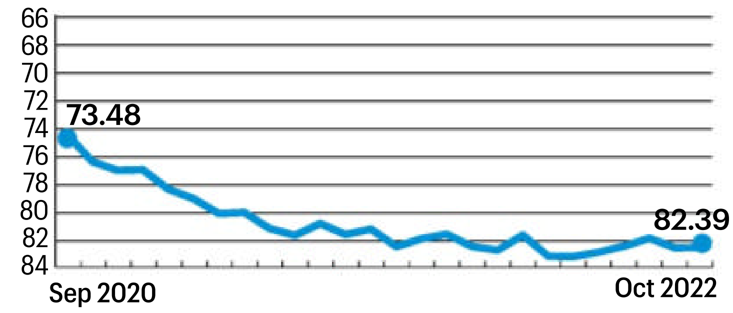
In a press release, NSO has stated that it would not be appropriate to compare the IIP of April and May 2020 with indices of earlier months

The gap between imports and exports is growing



The rupee has been depreciating at a fast pace

RBI reference exchange rate of Indian rupee against US dollar (inverted scale)



Data Source: CMIE Economic Outlook

IT'S A TIME OF pessimism. It's a time of optimism. Both appear to be perfectly valid statements, if we consider the outcome of the latest edition of the *Business Today*-C Fore Business Confidence Index (BCI). In the July-September 2022 quarter (Q2FY23), the BCI has bounced back to 52.5 against 51.2 in Q1FY23, which was a fall from the 28-quarter high of 55.2 in Q4FY22.

Consider the mixed signals emanating from the data. After moderating for three straight months (May to July 2022), Consumer Price Index (CPI)-based inflation has resumed its upward trajectory, rising to 7 per cent in August and 7.41 per cent in September. Wholesale Price Index (WPI)-based inflation, on the other hand, has continued its downward curve, moving from a high of 16.63 per cent in May to 10.7 per cent in September. That, too, can't be said to be low.

As the US dollar strengthens and creates trouble for emerging economies, India is also affected. The rupee has been constantly sliding, despite the Reserve Bank of India's (RBI) interventions, and now (October 31, 2022) stands at more than ₹82 to a dollar, and flirting with 83; that effectively also increases the trade deficit. In the first two quarters (April to September), exports have climbed 18 per cent year-on-year (YoY) to $233.58 billion. But imports have accelerated much faster, growing at 38 per cent YoY to $380.14 billion.

Meanwhile, the stock markets have moved up and down so much that, when charted, the past three months' lines of the BSE Sensex and NSE's Nifty 50 look like spectacular mountain ranges of sharp peaks and deep valleys. Since mid-October, though, they are again largely moving in an upward direction. Other indicators, too, are not very positive. Brent crude oil, which was trading above $100 to a barrel all the way from March to July 2022 following the outbreak of the Russia-Ukraine conflict, has cooled a bit, but is still trading around the $90-mark, making India's biggest import mighty expensive, albeit some hedging has been done by the government through the purchase of discounted Russian oil.

So, what then has made India's business community so positive? "The revival in business confidence stems from the correction between global commodity prices and improving demand, particularly around the festive season," says Aditi Nayar, Chief Economist of ICRA Ltd. Adds Suman Chowdhury, Chief Analytical Officer of Acuité Ratings & Research: "Despite the unfavourable global backdrop marred by geopolitical uncertainty and an increasingly tight financial environment, India's economy has remained broadly resilient with high frequency indicators witnessing a buoyancy, primarily supported by festivity-induced pent-up demand." Chowdhury further points out that the Acuité Macroeconomic Performance (AMEP) index recorded a peak of 132.1 in September 2022 as against 120.7 in August 2022, which translates into a double-digit expansion of 14.1 per cent YoY in September 2022 compared to 12.4 per cent in August 2022; sequentially, the index expanded by 9.4 per cent month-on-month (MoM) from two consecutive negative months in July-August 2022.

"Clearly, several supportive factors in the domestic economy have helped improve business optimism—above-average monsoon, delayed recovery in kharif sowing, improved reservoir position, capex-oriented government expenditure, a broad-based revival in credit growth, and significant correction in commodity prices along with the receding pandemic threat. A similar narrative is also seen in the CMIE consumer confidence survey, both at the urban and the rural levels, which have soared to their respective 30-month highs in September 2022," says Chowdhury.

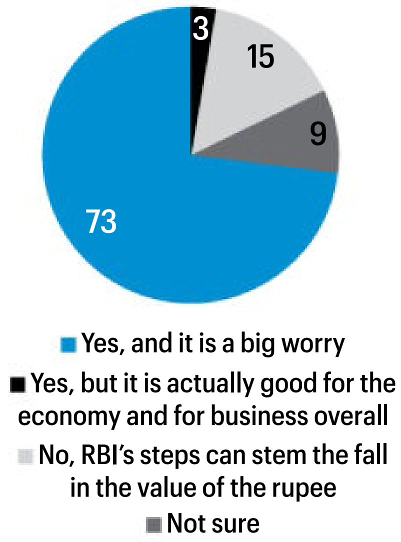
He has a point. In fact, the *BT*-C Fore BCI shows positive sentiment both about the past quarter's performance and the outlook for the next quarter. And that is consistent across different kinds of industries and sizes of businesses. For Q2FY23, heavy engineering, light industry and services, all clocked higher index values than the previous quarter at 53.2 (52.1 in Q1), 52.4 (51.1) and 51.8 (50.4), respectively. The trend is the same for business sizes, with big business showing 55.1 in Q2 (compared to 53.7 in Q1), and medium-sized, small and micro businesses clocking index values of 54.5 (52.4), 50.4 (49.5) and 50.2 (49.1), respectively. On specific parameters, too, the index values came in at over five (on a scale of 10) for Q2, including overall economic conditions at 5.2, financial situation (5.3), demand conditions (5.8), and hiring (5.0). Only profit margins, at 4.9, was a tad below five.

The outlook for the next quarter (October to December) is even more positive, with businesses' projections for economic prospects, overall economic situation, demand conditions and hiring conditions being placed at 5.5, 5.4, 5.6 and 5.1, respectively. However, businesses expect profit margins to be squeezed further in Q3, with the index value coming in at a low 4.7.

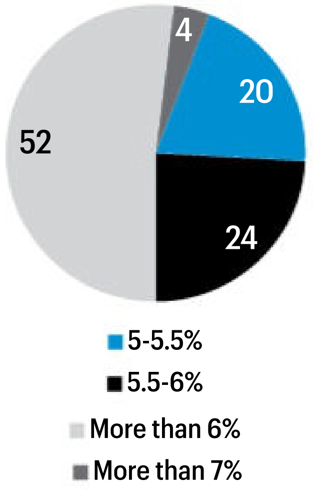
Going forward, of course, there are challenges to the positive outcome being sought by industry. The primary concern is the value of the rupee, which seems to have

VOX POPULI

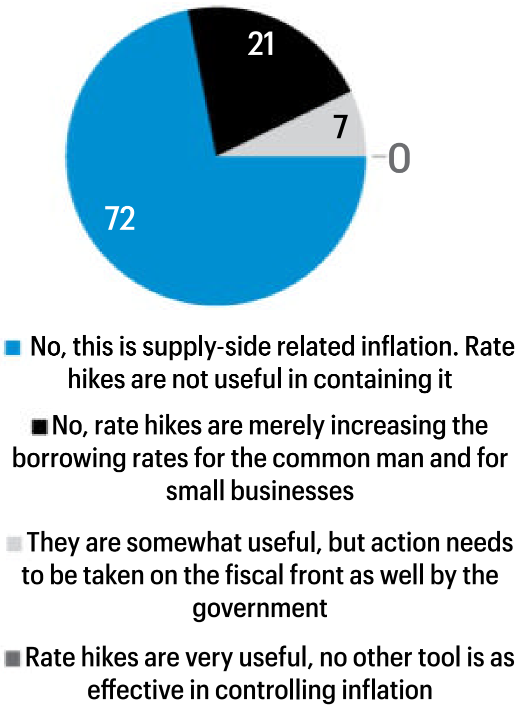
Do you expect the rupee to depreciate beyond 83 in the next quarter?



GDP growth projections for FY23 have been revised downwards by several agencies. What is your own expectation of GDP growth this fiscal?



Are rate hikes a suitable tool for controlling the kind of inflation we are seeing today?



All figures are in %

Source: The *BT*-C Fore Business Confidence Survey was conducted between October 7 and 18, 2022, of 500 CEOs or CFOs representing various industries and company sizes across Delhi, Mumbai, Chennai, Hyderabad, Bengaluru, Kolkata, Chandigarh, Lucknow, Nagpur, Kochi, Visakhapatnam and Bhubaneswar

stabilised a bit in recent days. However, 73 per cent of the *BT* BCI survey's respondents felt the rupee will surely depreciate beyond 83 to the dollar in the next quarter, and the overwhelming vote was that this is a worry.

The other big concern is inflation, especially retail inflation, which refuses to climb down despite the RBI's repeated repo rate hikes. In fact, CPI inflation has been way higher than the RBI's 'tolerance limit' of 6 per cent this entire calendar year. Even after taking into account the fact that such monetary policy interventions see outcomes with a lag, inflation remains a worry, and the question is whether hiking repo rate is the right instrument to deal with the nature of inflation we are seeing today. The respondents of the BCI survey almost unanimously feel the repo rate hikes won't work, with 72 per cent respondents saying this is supply-side related inflation and rate hikes are not useful in containing it; and another 21 per cent saying that the rate hikes are merely increasing the borrowing rates for the common people and small businesses.

But things are not so straightforward. Economists Nayar and Chowdhury give some insights. "Rate hikes will have an impact on demand with a lag, but may not be successful in rapidly cooling inflation, as it is being driven more by global supply-demand issues and food items," says Nayar of ICRA. Chowdhury elaborates, saying that 55.1 per cent of the CPI comprises food and beverages (including pan, tobacco, etc.) and fuel and light. "The price trajectory in these categories is primarily driven by supply dynamics as we have seen in the case of fuels and edible oils over the past one year. With improvement in the supply scenario, the inflation in these products has visibly come down. But in the case of cereals, inflation is on the rise due to an expectation of lower kharif harvest and lower stock levels, reinforcing the relevance of the supply factor," says Chowdhury.

Inflation in the rest of the CPI basket (44.9 per cent), comprising non-food and non-fuel items, is shaped by demand. This part of the CPI inflation, also called core inflation, is at 6.3 per cent in September, and so creates scope for further moderation through more rate hikes. But inflation in the food and fuel part can only be addressed through fiscal policy moves. "However, apart from supply- and demand-induced price pressures, higher imported inflation, led by significant rupee depreciation, is currently also a factor behind higher domestic inflation; tighter monetary policy can help stabilise the rupee and thereby, mitigate imported inflation risks," says Chowdhury.

Still got no sense of the real direction? Well, that's the ground reality at present. Bottom line: hold on tight. BT

(*With inputs from Rajat Mishra*)

@alokeshb

A SORRY STATE OF AFFAIRS

RELENTLESS HEADWINDS ARE BATTERING STATES' ECONOMIES, FORCING THEM TO TAKE AN ARRAY OF DRASTIC MEASURES TO AUGMENT THEIR REVENUES

BY **RAJAT MISHRA**

DEBT BURDEN

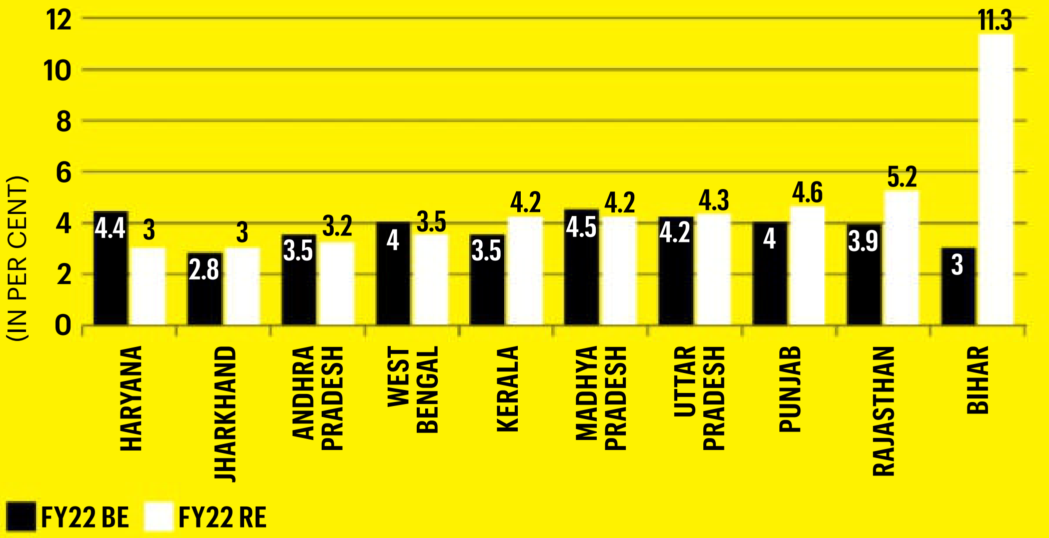
Finances of Punjab, Rajasthan, Bengal, Kerala and Bihar were the most stressed in FY21 due to their high debt-to-GSDP ratio

States	**GSDP size**	**Debt-to-GSDP ratio (in per cent)**		
	(₹ crore)	FY21	FY22 RE	FY23 BE
Punjab	5,40,224	49.1	53.3	NA
Rajasthan	9,98,999	40.5	39.5	39.8
West Bengal	12,07,823	37.1	34.4	34.2
Kerala	8,24,374	37.1	37	37.2
Bihar	5,94,016	36.7	38.6	38.7
Andhra Pradesh	9,71,224	35.5	32.5	32.8
Jharkhand	3,21,157	34.4	33	27
Madhya Pradesh	9,38,602	31	31.3	33.3
Uttar Pradesh	17,10,496	29.1	34.9	32.4
Haryana	7,80,612	28	29.4	NA

GSDP: GROSS STATE DOMESTIC PRODUCT; **RE:** REVISED ESTIMATES; **BE:** BUDGET ESTIMATES; **SOURCE** RBI REPORT, *BT* RESEARCH

FISCAL STRESS

Gross fiscal deficit of these states was equal to or above the fiscal responsibility legislation ceiling of 3 per cent in FY22 RE



FIGURES ARE STATE-WISE GROSS FISCAL DEFICIT AS A PERCENTAGE OF GSDP; **BE:** BUDGET ESTIMATE; **RE:** RESISED ESTIMATE; **SOURCE:** RBI REPORT, BANK OF BARODA

THE UNSUSTAINABLE level of debt on India's states is the talk of the town again. A recent report where the Reserve Bank of India (RBI) pulled up state governments for their rising debt levels has heated up the debate between the central and state governments on fiscal responsibility. The RBI commented in its report: "The fiscal condition among states in India is showing warning signs of building stress." Prompted by the recent crisis that had engulfed the Sri Lankan economy, the RBI's assessment found that, "For the five most indebted states, the debt is no longer sustainable, as the debt growth has outpaced their gross state domestic product (GSDP) growth in the last five years." Based on the debt-to-GSDP ratio in 2020-21, the report named Punjab, Rajasthan, Kerala, West Bengal, Bihar, Andhra Pradesh, Jharkhand, Madhya Pradesh, Uttar Pradesh and Haryana as the states with the highest debt burdens.

What are the reasons? For one thing, these 10 states account for around half of the total expenditure by all state governments. Then, as Anuj Sethi, Senior Director of CRISIL Ratings, explains, the rise in the debt levels "in the last couple of years is mainly due to subdued revenues (in FY21), coupled with sticky and elevated revenue expenditure, and the need for capital outlays".

There's some good news for a few states. The RBI report states that for all states taken together, the debt-to-GSDP ratio is projected to moderate between 2021-22 and 2026-27, primarily due to improved fiscal performance of states like Gujarat, Maharashtra, Delhi, Karnataka and Odisha. But other states will be hit hard. Punjab is expected to remain the worst performer as its debt-to-GSDP ratio is projected to exceed 45 per cent by 2026-27. Rajasthan, Kerala and West Bengal are also projected to exceed the debt-to-GSDP ratio of 35 per cent by 2026-27. "[Kerala's] debt-to-GSDP ratio is around 36 per cent now. But it was around 30 per cent just before Covid-19," says K.N. Balagopal, Finance Minister of Kerala, adding that the state's own estimates suggest that the ratio will fall to 30-32 per cent by FY25.

The report also identifies the gross fiscal deficit (GFD)-to-GSDP ratios of these 10 states in FY22 as being equal to or more than the 3 per cent ceiling set by the fiscal responsibility legislation (FRL). On top of that, eight of these 10 states had interest payment-to-revenue receipts ratio—a measure of their debt servicing burden—of more than 10 per cent during the period. One exception was Rajasthan. "It was 5.86 per cent of GSDP in FY21," the state's Chief Minister and Finance Minister, Ashok Gehlot, tells *Business Today*. "With the efficient financial management of the state government, it is expected to be around 4 per cent, as per the monthly accounts of FY22. Whereas, as per the revised estimates of FY22, it is expected to be 5.18 per cent."

Delving into more detail, the RBI report highlights a number of headwinds for states, in addition to macroeconomic shocks such as the impact of the Russia-Ukraine war, synchronised monetary tightening by central banks around the world, etc. The most immediate headwinds are the states' declining own-tax revenue, increasing expenditure on subsidies, re-launch of old pension schemes, increased frequency of natural disasters, realisation of government guarantees extended to state-owned enterprises, and rising pending dues of loss-making power distribution companies.

It's more than just debt, though. The contingent liabilities of states—the contractual obligation of the government to pay in the event of a default by the borrower—have been rising in recent years. According to a CRISIL Ratings report, off-balance-sheet borrowings of states are estimated to have reached a decadal high of ₹7.9 lakh crore in FY22. That marks a rise of around 100 basis points from FY20, reveals the CRISIL report which studied the finances of 11 states that account for around 75 per cent of the aggregate GSDP of all the states.

Former RBI Governor D. Subbarao believes the market perceives the entire debt—whether it is on budget or off budget, with guarantee or without guarantee—as the government's liability. "By getting around definitional changes and putting escape clauses in there, we're not going to get around the problem of debt. Besides, as long as the default liability falls on the government, it needs to be counted as the liability of the government. And we need to revise the Fiscal Responsibility and Budget Management (FRBM) Act to put a limit on fiscal deficit, including the debt from off-budget borrowings," he says.

The rise in the off-balance-sheet borrowings to well above the 2-3 per cent level seen for the past decade is because of the states' constrained revenue growth brought on by the pandemic-induced slowdown and increasing expenditure.

IN THAT CONTEXT, many states are shaping policies to generate more revenues. "Additional resource mobilisation is being done by the state government to increase the state's income," says Gehlot. "Besides this, necessary action is being taken to rationalise expenditures, even as the fiscal deficit has reduced by ₹11,000 crore compared to last year, as per the monthly accounts of 2021-22." The state is trying to boost its investments and revenues through the Rajasthan Investment Promotion Scheme. In a recently concluded summit in Jaipur, the government signed 4,192 MoUs and Letters of Intent (LoIs) involving investment commitment worth ₹10.44 lakh crore. Also, in a bid to reduce financial debt and attract investment, Rajasthan launched its first MSME Policy, which envisages setting up 20,000 new MSME units with a cumulative investment of ₹10,000 crore and employment generation for 100,000 people, a government official told *BT*.

Meanwhile, Chhattisgarh has received investments worth ₹84,000 crore in 1,950 industrial units in the past three and a half years under its new industrial policy. The state's Chief Minister and Finance Minister Bhupesh Baghel tells *BT* that the government has introduced 21 amendments in the policy: "We have offered entrepreneurs special incentive packages, subsidies and a separate space to MSMEs. We have included a start-up package to inject new technology into industries and create more jobs. The state government is providing large-, mega-, and ultra-mega industries with full exemption in electricity duty on setting up industrial units in locations of any category. The state government has also reduced the land transfer fee and provided a single-window clearance facility."

Chhattisgarh has also come up with its State Hydroelectric Project Establishment Policy 2022 to encourage investment for setting up pump storage-based hydro power projects. The state is also actively working on asset monetisation—this August, it invited bids for 24 state-owned motels and resorts that will be leased out for 30 years to private investors.

"Revenue deficit grant should be continued till FY25. And based on the actual calculation, it should be made available in the coming year"

Ashok Gehlot
CHIEF MINISTER,
RAJASTHAN

"We've offered entrepreneurs incentives and a separate space to MSMEs. Our start-up package [will help] inject new technology into industries and create more jobs"

Bhupesh Baghel
CHIEF MINISTER,
CHHATTISGARH

Haryana, another outlier state, has also taken steps to increase revenue. For instance, it recently unveiled an EV policy that intends to generate revenues and jobs. "This policy will make EVs affordable, and our coordinated efforts will make Haryana a global hub of manufacturing of EVs, major components of EVs and batteries," says Haryana's Deputy Chief Minister Dushyant Chautala. "We hope to accrue around ₹1,110 crore every year as an outcome of the EV industry's growth in Haryana."

Meanwhile, Kerala FM Balagopal says the state is planning a lot of new initiatives. "We are focussing more on higher education research, new institutions... we are making new products in the tourism sector like caravan tourism and farm tourism," he says. Plus, this September, Kerala put out a draft industrial policy with focus on upgrading skills of youth for future jobs, and promoting industries and technologies of the fourth industrial revolution.

To steady Rajasthan's finances, Gehlot says the scheduled end-date of GST compensation should be extended to 2027. "Revenue deficit grant should be continued for the next three years till FY25. And based on the actual calculation of revenue deficit, it should be made available in the coming year," he says. State governments have also pitched for bringing additional excise duty, cess and surcharges—currently not part of the divisible tax pool—to be included in the pool.

Rajeev Kumar, former vice chairman of Niti Aayog, believes it's time to create a fiscal council to develop a consensus between the Centre and the states: "It's time to create a dialogue between the states and the Centre to ensure that the overall fiscal situation in the country does not go out of our hands." **BT**

@RajatMishra9518

‘We deliver **the best ROI** to advertisers’

Nicola Mendelsohn, Vice President of Global Business Group, Meta, explains how the company plans to deliver growth to advertisers despite Apple’s moves and tough global conditions, and why she is excited about India

PHOTOS BY **MILIND SHELTE**

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Nicola Mendelsohn, who heads Meta's global advertising business, is bullish on India. The country has a lot going for it, such as the creator economy and messaging, says the Vice President of Global Business Group, Meta. And while the company is exploring new revenue streams, the advertising business is facing headwinds. For instance, Apple's privacy moves will cost Meta $10 billion. Not to mention Apple imposing a 30 per cent "tax" for boosting posts. Meta has also seen its profits decline in recent times. Mendelsohn, 51, in an interview with *Business Today*'s *Sourav Majumdar* and *Abhik Sen,* talks about what Meta is doing to counter Apple's moves in the advertising arena, privacy, the creator economy, monetisation plans, and why India is an important part of the story. Edited excerpts:

Q: How do you sell the metaverse to advertisers?

A: When Mark [Zuckerberg, the Meta Founder] put out his vision for the metaverse, he talked about the fact that it's still another five to 10 years off. So, to that end, we're still right at the beginning. And the way that Facebook has operated, the way that Meta now operates, is that we build things for people first. And then we look at where the monetisation opportunities are. I can't answer your question, because we don't know yet. But what independent research is telling us is that over the next 10 years, the metaverse is going to be worth about $3 trillion. So it's going to be a huge economy that's going to be created. There is going to be a massive opportunity around creators. They're going to be the people that build it; they're going to be the people that take communities of followers there; [and] they're going to be the people that offer services there.

Q: Will it be easy for Meta to monetise all this?

A: That's not how we think. We think about what are the indications of where the technologies are going. And if you go back, that's the way that we've always operated as a company. When Facebook was first created, we sent messages to each other. Then we went from words to pictures, to video, then we got live video. Now we're in Reels... We're starting to see some AR coming in... and then it will be VR. But it won't stop everything else. It will be a blend of things. People will access the metaverse in a 360-degree environment, but they'll also access it in a 2D environment. So we're focussing from a monetisation perspective on the things that we can do today. The bets that we see in the near-term future [are on] Reels, which is one of our fastest-growing products. Twenty per cent of all the time that's spent on Instagram is spent on Reels... [Then there's] messaging... That's a very big opportunity given that we now see a billion messages a month going between people and businesses.

Q: Are these messages essentially on WhatsApp?

A: Well, it's on WhatsApp and Messenger and Instagram Direct—it's three different areas. And when we think about India in particular, all of these areas are exciting because there's a lot of innovation that's happening [here] and we're investing in that. We've heavily invested in India for Reels. Other countries look to India, as to the examples that are being created here by the creators and also by the brands that are starting to utilise Reels.

Similarly, [this is] true with WhatsApp. India is a WhatsApp-first country. It's one of the main ways people communicate with one another, [and] also one of the main ways that people and businesses are now talking to one another. So, this is where we've been investing when it comes to imagining new ways that you might utilise the platform. If I take our investment in Jio, and our partnership with JioMart, this was a world-first in India... [and] the rest of the world is looking to understand and say, 'I want one of those'. We want to take that example and see what we can do with it elsewhere.

“We see innovation here, we see creativity... you’ve got these new types of businesses [like the creator economy] that you couldn’t have imagined. We see India as a really exciting and dynamic market”

Q: Are you looking at more innovations like JioMart-WhatsApp coming out of India?
A: The answer is yes... you can see it across verticals about how you might adapt and take the same learnings and thinking, and then see what you might do accordingly... So it’s very early days, but it’s certainly exciting.

Q: How difficult a market is India to crack?
A: I think there’s something very exciting going on in India... I’ve been here many times over the years... [and] everyone I’ve spoken to, from the smallest business owners to some of the biggest business owners in India and everybody in between, creators, etc.—there’s a collective dynamism, energy, excitement... More and more people are connecting to the internet, buying online. We see innovation here, we see creativity... you’ve got these new types of businesses [like the creator economy] that just a few years ago, you couldn’t have imagined. So, we see this as a really exciting and dynamic market.

Q: Globally, it’s a tough environment. Meta has seen its profits decline as well. What do you see as the key headwinds for the company?
A: In general, [there are] different headwinds for different businesses around the world, and being a global business, we see these because our partners tell us. We still see the effects of the pandemic around the world... [there’s] the energy crisis in certain countries and also the war in Ukraine. Many different things are impacting businesses. But what CEOs and CMOs tell me is that they are focussing on growth. They see us as a very important partner to be able to help them achieve their growth ambitions because we can give them access to the people that matter to them because of the reach of our platforms—whether it’s Facebook, Instagram, WhatsApp or Messenger. They see us as the very best platform to give them the strongest ROI when it comes to looking for that growth. So that’s what we’re focussed on as a business... in making sure that we’re able to translate the strategies that they have, the desire to target the [right] people, and ultimately help them to deliver that growth.

Q: What are the new advertising opportunities that you see as you roll out new products and innovate on existing ones?
A: Definitely Reels. We’re just starting to see the monetisation of that with things like collaborative ads, or the work that we’re doing with creators in that space. We also see this explosion of video that Reels is a part of as well on our platform, and how we can help brands... And I think we need to be helping our advertisers to understand better how to adapt their own creative work to be able to fit into these different formats.

Then we’re seeing some real excitement around messaging overall. We're only just starting to monetise WhatsApp. That's really early days for us. And we've created some new products, like Click to WhatsApp.

Q: What would be the typical WhatsApp revenue model? Will we start seeing ads on WhatsApp?

A: I want to be careful of even using the word ad, because I think one of the successes of our platforms is that we want our advertising to be native to the individual platform... One of the things we have at the moment is Click to WhatsApp. So you can be on Facebook and [it can] literally take you into a thread on WhatsApp. All types of businesses are organically already working on WhatsApp... we look at what the current behaviours are, what people are doing, how they're reacting and interacting with businesses, and then we'll look to see how we can create different solutions for larger advertisers as well.

Q: We've seen changes in Apple's privacy policy that will hit your business. How do you plan to overcome that?

A: We've been very vocal for a long time about the fact that what Apple did has really had a disproportionate effect on all businesses around the world—not just ours—and especially small businesses. And it's been very clear that Apple wanted to create an app business. And they have. And they don't adhere to the policies that they make for everybody else. That said, we're doing a number of things. We've been doubling down on privacy-enhanced technologies, so that we can do more with less data going forward. We already give strong ROI to our advertisers, but we want to continue doing so. We're also doubling down on the investment in AI. There are two parts to this: one is what content we serve to people. And the other is what advertising we serve. By using AI, we're able to serve the best ads to people, which is good for them and also good for the advertiser. Plus, we've been talking about the new formats that we can offer to advertisers in terms of how to communicate.

Q: Talking of privacy, do you think there is an inherent contradiction between your advertising models and the privacy aspect?

A: This [privacy] is something that we take very seriously. Anybody on the platform [can] do a privacy checkup. You also have the option when you see an ad from somebody, you can literally click on the top right corner, there's a feature saying, 'why am I seeing this ad', and it will explain it away. And then, if you don't want to see ads from an advertiser, or a category, you have the option to be able to do that. These are the sort of things that we've built over the years into our platforms, because we know it matters to consumers. And so it matters to us as well.

What will the metaverse do for your advertising revenues? How will AR/VR and the metaverse change the entire advertising outlook for Meta?

A: I honestly think it's too early to say, but what is clear as we move into Web 3.0 [is the disruption it will bring]... Klaus Schwab, at the World Economic Forum, said that we're at the dawn of a fourth industrial revolution. And if you look back on the previous industrial revolutions, I think it's disrupted every aspect of our lives, not just advertising. I think we'll see another very exciting disruption. And you've seen from the vision our Founder is setting out [is] that we want to be one of the companies that's playing a part in doing that. But we won't do it alone. [We'll do it] with other companies, NGOs, governments and creators. What's different is that this time Web 3.0 will be built by creators.

What are the key areas India will play a role in the evolution of Meta?

A: I think it's about the disruption already that Indian creators and the Indian creative economy is having ... So many of the top-followed people on Instagram don't live in the major cities. That's a disruption on the Indian economy itself... But they're not just influencing in India, they're influencing in other parts of the world as well. We see things like the dance crazes, comedy and fashion now starting to come out of India and going to the rest of the world. That's where the difference lies this time around. And that's why it's really an exciting time to be in India. **BT**

@TheSouravM, @abhik_sen
This interview took place before Meta announced its Q32022 results

ON NEW MONETISATION OPPORTUNITIES

We are focussing on Reels. We're starting to see the monetisation of Reels with things like collaborative ads. There is also excitement around messaging. We are starting to monetise WhatsApp. We have created some new products, like Click to WhatsApp.

ON APPLE'S NEW POLICY

What Apple did has had a disproportionate effect on all businesses around the world. Apple doesn't adhere to the policies that it makes for everybody else. We are doubling down on privacy-enhanced technologies, so that we can do more with less data. We are also increasing investment in AI.

ON PRIVACY

We take privacy very seriously. Anybody on the platform [can] do a privacy check. When you see an ad you can find out why you are seeing that ad with just a click. And if you don't want to see it, you have that option as well. We've built these things over the years into our platforms, because privacy matters to us.

[redacted]

ILLUSTRATION BY ANIRBAN GHOSH

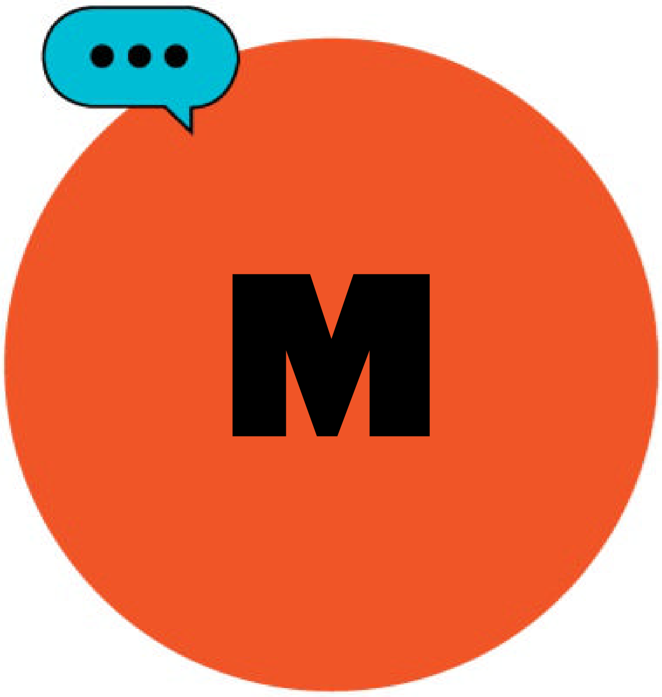
PIVOTING

WITH THE DISRUPTION CURRENTLY UNDERWAY IN KEY VERTICALS LI
AND MEDICAL DEVICES, TATA ELXSI'S GROWTH IS ONLY SET T

& PEAKING

KE TRANSPORTATION, MEDIA AND COMMUNICATIONS, HEALTHCARE
O INTENSIFY IN THE COMING YEARS

BY KRISHNA GOPALAN



MANOJ RAGHAVAN recalls at least two occasions when he had to take the wheel after a long overseas flight into Bengaluru. Before you start to wonder why he would do that in the early hours after an arduous travel schedule, it was simply because the driver was dangerously close to nodding off to sleep.

There is possibly nothing remarkably unusual about this except that our conversation with Raghavan is on driverless cars. And as CEO & Managing Director of Tata Elxsi, a name in global design and technology services, he is completely involved in what could be a defining moment in the automobile industry. “Imagine you are sitting in a vehicle that is zipping away at 100 km an hour without a driver. It is only natural for your heart to be pounding,” he says with a laugh. The inevitable question that will cross your mind would be if your car is awake. “And if you are dealing with tough weather conditions like rain, what assurance can a passenger have sitting alone in the car?”

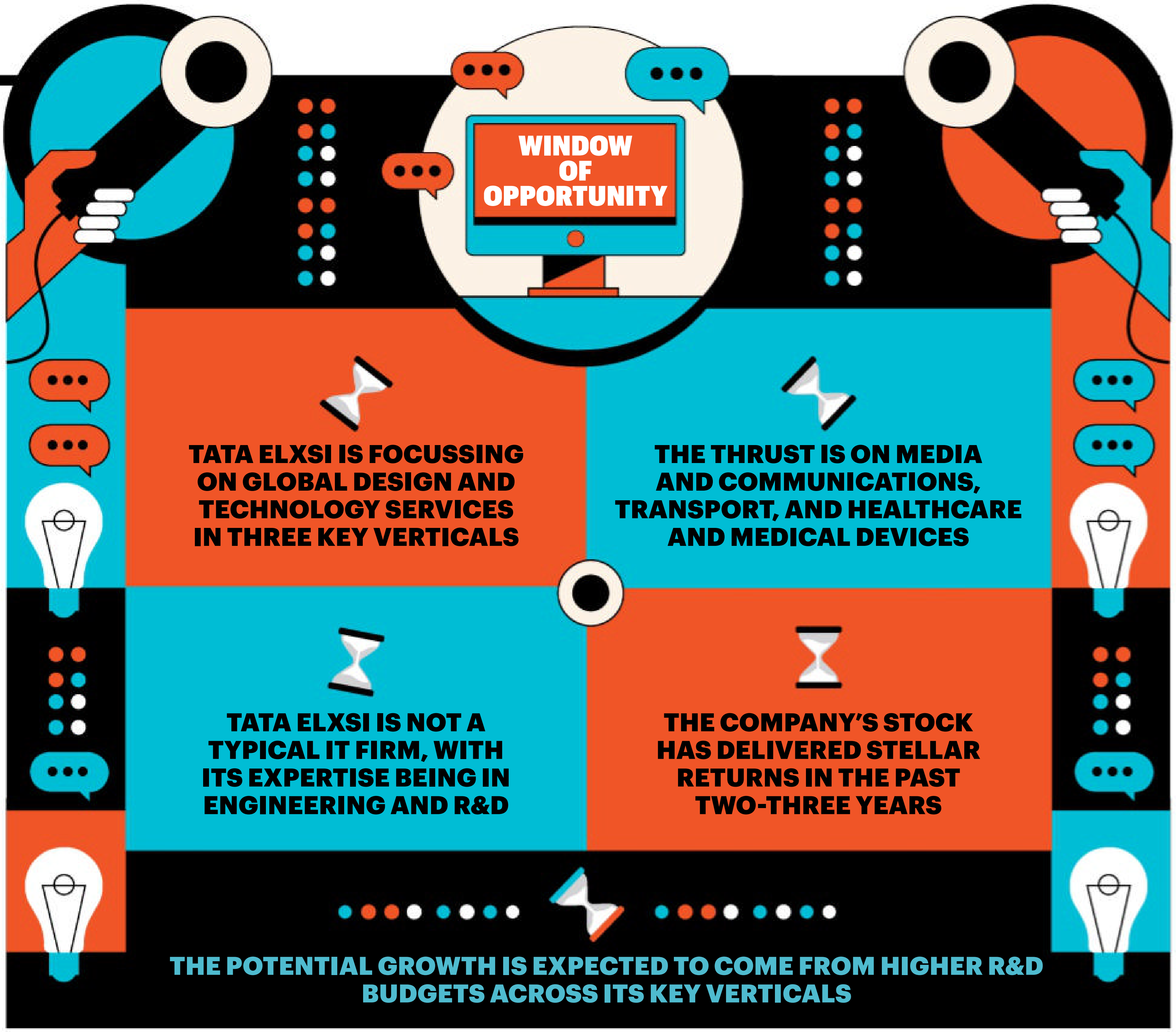
As you sit back to paint the world a decade or two from now, where technology will dictate almost everything we do, the possibilities are endless. Autonomous driving, entertainment, healthcare, using the mobile phone or just any of the mundane activities we are involved in are just a few things that come to mind. Tata Elxsi already has a play in most of these areas and looks well-positioned to be in a lot more. “There is some very interesting stuff that we are working on,” says Raghavan, without giving away much. This is a business where customer confidentiality is paramount and one has to pick those little nuggets to understand the potential of the company’s business. For Tata Elxsi, it is a classic confluence between design, technology and delivery, and in a world as unpredictable as ours, that is quite fascinating.

DIAL D FOR DISRUPTION

While these are exciting times for Tata Elxsi—that provides design and technology services to businesses across industries—it is also critical to have a strategy that helps the company to pull out quickly if the need be. As Nitin Pai, Tata Elxsi’s CMO and Chief Strategy Officer says, “As a company, we have to be prepared for disruption and should also be able to disrupt.”

Take the case of OTT (over-the-top or providing content over the internet at the viewer’s convenience), with the company getting started on this as far back as 2013. The trend the company saw was interesting in more ways than one. Initially, it worked with set-top box (STB) manufacturers in their embedded hardware. It helped viewers save shows that they missed, with the idea of watching them later—think of STBs that allowed you to record a show or series. “It was still cumbersome. Around that time, IPTV (internet protocol television or the delivery of video content over the internet) started coming in,” says Raghavan. As it turned out, this was the most interesting period for IPTV, with a plethora of smartphones and tablets being launched around that time. “It was right for disruption with many things coming together,” he adds. To that extent, OTT taking off was hardly a surprise to Tata Elxsi. The inefficiency in recording a programme to watch it later was not feasible. “Now, content is delivered from the cloud and you can watch it anytime,” says Pai, adding that the company was ready for this transformation—it was already working with names such as Airtel and ZEE5 then.

“We are not a typical IT company. We are a focussed player in the ER&D (engineering, research and development) space with the good part being that we don’t try to hit every nail with a hammer,” says Raghavan. The tack is to instead focus on a few verticals—transport, media and communications, healthcare and medical devices—and attain expertise in each. “The first 10 minutes of a conversation with a customer is enough for him to be convinced about our depth or



WINDOW OF OPPORTUNITY

TATA ELXSI IS FOCUSSING ON GLOBAL DESIGN AND TECHNOLOGY SERVICES IN THREE KEY VERTICALS

THE THRUST IS ON MEDIA AND COMMUNICATIONS, TRANSPORT, AND HEALTHCARE AND MEDICAL DEVICES

TATA ELXSI IS NOT A TYPICAL IT FIRM, WITH ITS EXPERTISE BEING IN ENGINEERING AND R&D

THE COMPANY'S STOCK HAS DELIVERED STELLAR RETURNS IN THE PAST TWO-THREE YEARS

THE POTENTIAL GROWTH IS EXPECTED TO COME FROM HIGHER R&D BUDGETS ACROSS ITS KEY VERTICALS

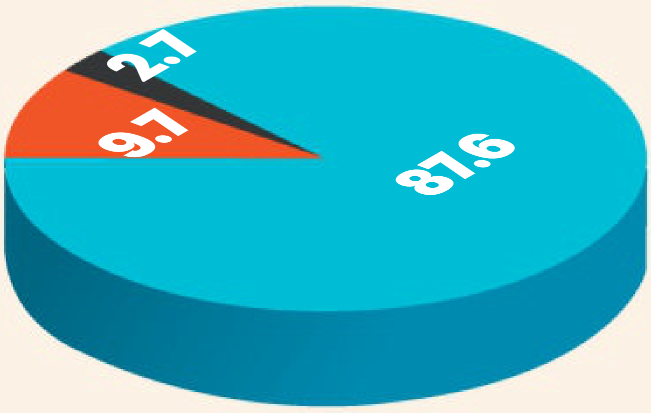
domain understanding and R&D capabilities, and that is our differentiator," Raghavan claims. Referring to Tata Elxsi's design capabilities, he says that the company was always clear about "being digital". There is merit in what he says when one tops that up with a growth strategy that is completely organic as opposed to the trend where peers have chosen to acquire design capabilities. This growth story also has the classic left and right brain approach, with a workforce not just led by engineers. "We have designers, ethnographers and those with a background in psychology too," says the CEO & MD proudly. The diversity is apparent on the campus in Bengaluru's Whitefield, where we are having this conversation. It is as easy to spot a youngster in jeans and sneakers as it is to see a formally dressed employee. The Bengaluru-based company employs more than 11,500 people across 35 locations globally.

Tata Elxsi's growth, both in terms of revenue and profit, has been impressive over time. So has the stock price (see graphic *On a Winning Streak*). Dipan Mehta, director of financial services holding company Elixir Capital, who has been invested in the Tata Elxsi stock for a decade, says it is one of his best bets, yielding a return of almost 50x. "We have seen the company hitting a purple patch in the last two to three years and that is also a factor of being in the right place at the

A HEADY MIX

▶ The embedded product design segment was the largest contributor to Tata Elxsi's revenue in Q2 of FY23...

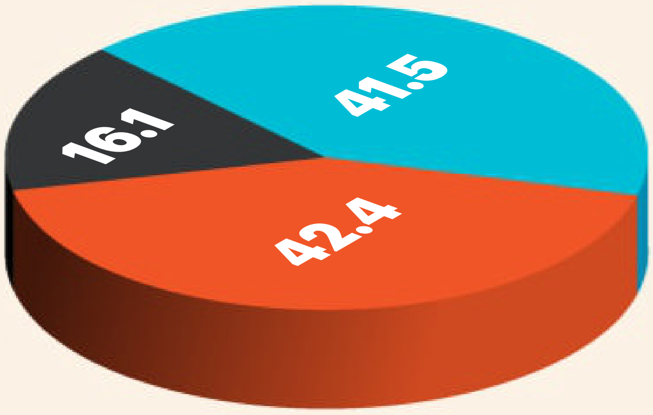
Segment-wise revenue mix (%)



● EMBEDDED PRODUCT DESIGN
● INDUSTRIAL DESIGN AND VISUALISATION
● SYSTEM INTEGRATION AND SUPPORT
SOURCE EARNINGS PRESENTATION FOR Q2 FY23

▶ ...while the media & communications sector contributed the biggest share to the company's revenues

Sector-wise revenue mix (%)



● MEDIA & COMMUNICATIONS
● TRANSPORTATION
● HEALTHCARE & MEDICAL DEVICES
SOURCE EARNINGS PRESENTATION FOR Q2 FY23

right time. The demand for its offerings has taken off thanks to disruption in specific industries where it has a large presence and is also very strong." The reference, is of course, to transportation, media and communications, where Mehta points out that the high levels of digitisation, product development and design requirements are in sync with the company's core strengths. "That has translated into an unusually high share in these verticals."

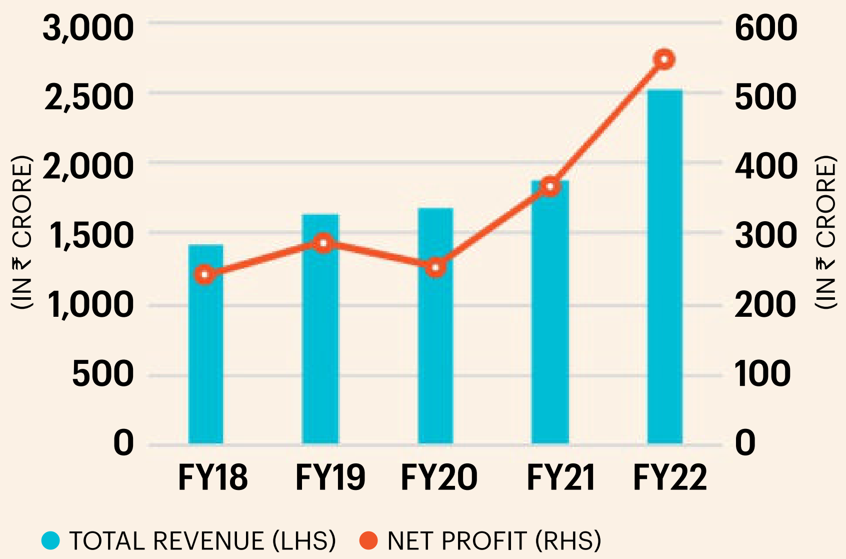
Others look at the company's unique business model a little differently. According to Apurva Prasad, Institutional Research Analyst at HDFC Securities, Tata Elxsi is a pure-play niche specialist in ER&D services and is around one-tenth the size of the largest companies in the space. "Yet, it [Tata Elxsi] is positioned in the top quadrant in automotive, communication and broadcast (OTT) engineering services globally. Besides, its engineering services are supplemented by its design segment, which allows it to target upstream as well as create new vertical opportunities," he points out. In the ER&D space, the company competes with both domestic and international players, among which are ALTEN, Bertrandt, Cyient, EDAG, KPIT and L&T Technology Services.

On the verticals it operates in, Prasad sees a strategic advantage in each. "In automotive, the company offers customised R&D across the product's lifecycle to both manufacturers and component suppliers. Besides, new architecture and platform strategies are being developed to manage advanced driver assistance systems (ADAS), in-vehicle infotainment and information systems (dashboard display), battery, and en-

Tata Elxsi's work in the automobile industry has led to one of the top three luxury carmakers of the world signing on to work with them

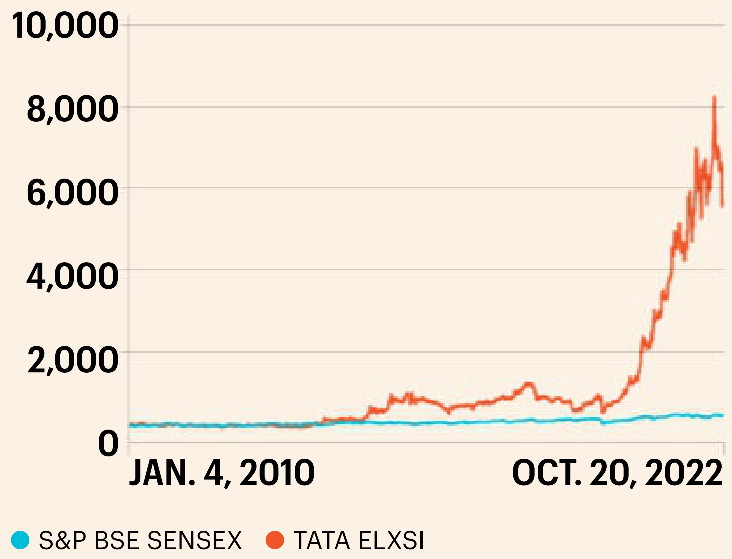
ON A WINNING STREAK

▶ Tata Elxsi's net profit has more than doubled in the past four years



SOURCE ACE EQUITY

▶ Its stock has gained over 5,500 per cent since January 2010



BASE=100 **SOURCE** ACE EQUITY

GRAPHICS BY **RAHUL SHARMA**

ergy levels." Given that the top 10 auto companies account for 60 per cent of the overall ER&D spend, this is a significant growth opportunity, especially when coupled with the demand for advanced sensor systems in autonomous cars. In the media and communications space, the company's expertise with broadcasters, multi-system operators, semiconductors, and STB manufacturers comes in handy. "Its partnership with Google Widevine (struck two years ago, where Tata Elxsi will deliver secure content protection for broadcast, media, consumer electronics and automotive applications) opens up avenues for operators, OTT, content providers and access to the network that includes Netflix, HBO, Disney, Hulu, Amazon Prime, Jio and Warner Bros.," says Prasad. Widevine is Google's content protection system for premium media.

CHANGING TACK

Tata Elxsi came into being in the late 1980s and for the next two decades, it focussed its attention on what Raghavan describes as "tough engineering problems". It is what excited the workforce but there was little to speak of, be it on revenue or profitability.

"The decision to verticalise the business was a big moment. Till then, we did a lot of good projects but lost money," he says. Starting from 2010, the company saw an opportunity in the way the transportation, media and communications businesses were transforming globally. "If you had a car then, you still listened to music on a CD. Suddenly, we saw the likes of infotainment, airbags and power steering coming along," he recalls. From an industry that was traditionally more dependant on machines, it started moving towards software. And if current conditions are any indicator, this trend looks set to continue. Tata Elxsi's work in this vertical has made headway across its key customers, with one of the top three luxury carmakers in the world—that the company declined to name, citing confidentiality clauses—signing on to work with them.

Likewise, media went through a phase of analogue television, before that made way for satellite, DTH and now OTT. "We are at the forefront of some of the technologies such as AR, VR and metaverse," says Raghavan. Taking a moment to again emphasise on the difference between an IT company and Tata Elxsi, he says "we help in launching products". Much of an IT company's time is spent on bidding for projects and that often involves price wars, with every player wanting a chunk of the pie. Product R&D is about lower success rates and working with customers for 10 years, if not more. "We understand the product, its evolution and the people. That leads to high levels of stickiness with the customer, whose primary objective is quality delivered on time. Our incremental premium is that assurance apart from possessing the ability to anticipate a situation." Pai says an 80 per cent utilisation rate for his company is "very, very good" but for an IT major, it has to be upwards of 90 per cent. Plus, the company ends up investing a lot of money in training—which is expensive and requires a lot of time. That means, to understand the business of Tata Elxsi well, one needs to take a more long-term view with parameters such as market share and margins. At least 95 per cent of the business comes from existing customers as the new ones take time to develop a sense of confidence to commit budgets, a process that typically takes a few quarters.

Not everything always works to plan owing to the time involved, and there are instances where some factors are not always within the company's control. For example, 3D television was a big story at one point. "The technology needed did not expand, nor was content able to build up a great story. This business is about living with volatility and we are always building the now and that often makes demand prediction a challenge," says Pai. For that matter, the autonomous car story is one that has been in the works for a while, with no surety on how it will eventually play out. Raghavan is blunt when he speaks of never getting to a 100 per cent accuracy in his business. "We put in a lot of effort behind WiMax but the world moved to 4G. That is the nature of technological disruption and you have to be ready for it."

Investing well ahead of time is a key part of the company's way of going about its business. Raghavan explains that its capabilities of today lay the base for a better tomorrow. "Our intention is to collaborate with the customers and not compete with them. The idea is to bring in solutions in a proactive manner." Prasad of HDFC Securities says Tata Elxsi's growth is expected to be a function of the large and growing R&D pool with a significant total addressable market. In the case of automotive R&D, he says the global

"We are not a typical IT firm. We are a focussed player in the ER&D space with the good part being that we don't try to hit every nail with a hammer"

MANOJ RAGHAVAN
CEO AND MANAGING DIRECTOR,
TATA ELXSI

"We understand the product, its evolution and the people. That leads to stickiness with the customer, whose key objective is quality delivered on time"

NITIN PAI
CMO AND CHIEF STRATEGY OFFICER,
TATA ELXSI

On the competitive landscape, Tata Elxsi—that was set up in the late 1980s—has the benefit of its pedigree, an early-mover advantage, plus the ability to showcase its projects

market size is at $160 billion, with another $35 billion in automotive software development, and medical devices at $48 billion.

On healthcare, a big component is outcome-based medicines, something that is already a big trend in the West. The normal process is to give a patient a list of medicines if she is in the midst of a serious health issue. That is not just expensive, but comes without any assurance of a cure. With an outcome-based approach, timely interventions are possible. "The post-operative care can be done remotely using connected monitoring devices. It is a huge opportunity in a market like the US where medical costs are high with not everyone being covered [under medical insurance]," explains Raghavan. Prasad says that the healthcare vertical has grown ahead of peers such as L&T Technology Services, Cyient and ALTEN. "Telemed is expected to be a big driver and Elxsi's strong credentials in video delivery are complementary," he says, adding that the company's high margins so far have been on account of "lowest cost of delivery, highest offshore and lowest attrition".

" [Tata Elxsi] is positioned in the top quadrant in automotive, communication and broadcast (OTT) engineering services globally"

APURVA PRASAD
INSTITUTIONAL RESEARCH ANALYST, HDFC SECURITIES

" We have seen Tata Elxsi hitting a purple patch in the last two to three years and that is also a factor of being in the right place at the right time"

DIPAN MEHTA
DIRECTOR, ELIXIR CAPITAL

WHAT LIES AHEAD

While the company saw its revenues go up in Q2FY23, it was accompanied by higher expenses, leading to a 6 per cent dip in net profit. This led to its stock price taking a hit. "It [the share price] has rallied a bit ahead of itself, and from time to time it does get overvalued. Over the next two to three quarters, it will move sideways or see a slightly declining movement as earnings catch up and there is a slight compression of its P/E multiple, which is exceptionally high," says Elixir's Mehta. On the competitive landscape, he says Tata Elxsi has the benefit of its pedigree, an early-mover advantage, and the ability to showcase its projects. "In this kind of a business, competition will come and go but everything really comes down to client satisfaction. We are speaking of developing design, which is critical to the success of the customer. They will not want to experiment with new players, who may not have the same level of talent and capabilities," he explains, attributing Tata Elxsi's high operating margins to this stickiness.

The current business environment is what makes the company's business model interesting for several reasons. Pai believes there is a confluence that exists, where the transformation companies are undergoing with respect to customer experience, business models or just efficiency will be determined by design. "For that, you need a lot of people to execute what traditionally does not exist. That kind of skill set and scale can come only out of India," he says. The importance of good product engineering, for instance, will become apparent once more and more industries adopt a model wherein customers pay for only the services they want. "Else, it [ER&D] would have been just IT," says Pai, adding the transformation will be driven by the product. By the looks of it, Tata Elxsi has found a sweet spot and one that could determine a robust growth path for a while to come. And if autonomous cars become roadworthy in India, Raghavan may not have to make the arduous drive back home after a long flight. BT

@krishnagopalan

DELAYED GRATIFICATION

A CLUTCH OF START-UPS HAS TURNED THE CONCEPT OF BUY NOW, PAY LATER ON ITS HEAD TO DEVISE SAVE NOW, BUY LATER SCHEMES THAT INCENTIVISE SAVING FOR BIG SPENDS WHILE AVOIDING THE DEBT TRAP THAT COMES WITH BNPL. AND THERE ARE MANY TAKERS

BY **ASHISH RUKHAIYAR** AND **TEENA JAIN KAUSHAL**

ILLUSTRATIONS BY **NILANJAN DAS**

INCLINED AS WE humans are towards rewards and discounts, we find it incredibly difficult to ignore a good incentive or a great deal. It doesn't matter where one lives or which strata of society one belongs to, everyone loves a discount or cashback when making a purchase, big or small.

Dinesh Ladi, a 28-year-old data scientist in Bengaluru, is no different. Wanting to buy an iPhone 13, he was looking around for some deals when he came across a platform that offered him a 10 per cent 'cash reward' for the buy, with just one catch: he had to save a fixed amount of money for a few months. The added incentive was that there was no interest component or processing fee. Simply put, it was not a debt or credit scheme like Buy Now, Pay Later (BNPL). "Earlier, I used to keep money in a separate account to save for a purchase. There are fixed deposit options as well but you don't get any incentive on the price if you go by these routes," Ladi says, adding that he thought of trying out the novel method because the start-up offered a cash reward as well.

The savings scheme, itself, is simple, Ladi found. He had to deposit a fixed amount for a fixed number of months. Once the duration was over, the accumulated money was credited to his account and he bought his desired iPhone 13; on top of that, 10 per cent of the invoice amount was credited to his bank account. No hidden charges, interest component, or processing fees was levied.

What, then, is this scheme? Welcome to the world of Save Now, Buy Later or SNBL, where one can save for a future purchase. The added benefit is that one gets a discount of 10-12 per cent on the purchase price.

In other words, the SNBL model has brought saving and spending on the same platform, and while such schemes have been around for a while, a clutch of start-ups is now using tech and data to disrupt this segment. And they earn a commission from merchants on every transaction.

Some players like Tortoise, Hubble and Multipl—that operate in the SNBL space in India—have seen strong traction among users, although the segment is still in its infancy. That, however, has not stopped some of the marquee names of the investor community—Sequoia Capital, Blume Ventures, IIFL Finance, Kunal Shah (of Cred) and Sriharsha Majety (of Swiggy), among others—from entering the ring. Data from Tracxn shows that while Hubble is backed by Sequoia and Snapdeal Co-founder Kunal Bahl, among others, Bengaluru-based Tortoise is backed by Vertex Ventures and Better Capital along with Cred's Shah. Meanwhile, Multipl has been funded by Blume Ventures, IIFL Finance, GrowX Venture Management, and Kotak Securities, among others.

So, what exactly are these start-ups offering that has convinced some of the most sophisticated and smart investors to pour money into them?

YOUR MONEY, YOUR GOALS

There are a number of reasons. To start with, simplicity, flexibility and, above all, planning with one's own money, not borrowed funds. "India is a country where a majority of the people are savers but traditional savings instruments are not rewarding," says Neeraj Tulsyan, Co-founder of Hubble, adding that till recently, there was no efficient system of bringing merchants and consumers on the same platform while avoiding debt.

The Gurugram-based start-up—that launched in April this year—currently has tie-ups with merchants such as Nykaa, Myntra, Croma and Bluestone, and is in the process of collaborating with 20 more brands.

Delhi-based Tortoise is another start-up gaining traction in the SNBL space. It offers a minimum 10 per cent incentive to every user who "saves to buy" on the platform. "Save to buy is a very natural thing to do and has been happening in the jewellery segment for years. We have expanded it to categories like electronics and travel," says Vardhan Koshal, Co-founder of Tortoise.

Currently, most of the merchant tie-ups are in categories such as travel, gadgets and appliances, though the start-ups are actively working towards enhancing the bouquet of categories or goals. For instance, wedding as a goal has been gaining prominence.

Here is how it works: Following a simple registration process, users can choose a merchant (for example, from Apple, MakeMyTrip, Nykaa, etc.) through which he or she intends to make the purchase. After that, the user has to select the goal amount and the duration of the deposits; one can start with as low as ₹500 per month. For instance, if one is targeting a purchase of ₹50,000, one can set aside an amount of ₹5,000 every month for 10 months, or any other variation depending on the amount of money one can save every month.

The manner of giving incen-

IN SAVE NOW, BUY LATER, ONE CAN SAVE FOR A FUTURE PURCHASE. THE ADDED BENEFIT IS THAT ONE GETS DISCOUNTS RANGING FROM 10 TO 12 PER CENT ON THE PURCHASE PRICE

SAVE NOW, BUY LATER: HOW IT WORKS

- DOWNLOAD THE APP AND REGISTER
- CHOOSE A PRODUCT OR A MERCHANT
- SELECT GOAL AMOUNT AND DURATION OF DEPOSITS
- TRANSFER MONEY THROUGH UPI OR NET BANKING
- IN SOME CASES, A GIFT CARD WITH THE CUMULATIVE AMOUNT (MONEY DEPOSITED + INCENTIVE) IS ISSUED ONCE THE DURATION OF DEPOSITS ENDS
- SOME PLATFORMS OFFER CASHBACKS AFTER THE PRODUCT IS PURCHASED

MANAGING YOUR SPENDS

SNBL	BNPL
Get at least 10 per cent extra incentive for saving	Up to 20 per cent interest if payment not done within credit window
No credit history or CIBIL score required	Credit check done before approval of credit line
Flexibility in choosing monthly saving amount and duration	Processing charges applicable
Monthly saving could start from as low as ₹500	No flexibility in repayment for lowering interest component
Instant refund if savings plan cancelled	Can result in overspending
No interest charges, processing fee, etc.	No loyalty points or incentives to be redeemed

SOURCE: INDUSTRY

tives differs from one platform to the other. For instance, Hubble gives a gift card for the cumulative amount—money deposited plus the incentive value—while Tortoise credits the money back to the user's account and gives a 10 per cent cashback when the invoice is submitted.

Then there is Bengaluru-based Multipl, which also operates in the SNBL space, but has a slightly different business model as it allows users to invest in curated mutual fund schemes that can generate returns and lower the overall cost of the goal. "Multipl's main premise lies in making savings a habit and it aims to offer incentives via tie-ups with brands," says Paddy Raghavan, CEO & Co-founder of Multipl, which also offers its users the option to save for a wedding.

"In essence, Multipl is a Sebi-registered investment advisor. The market-saver model allows users to invest money in curated market instruments such as mutual funds, and tags them to the brands to avail returns from the market and exclusive discounts from the brands," he adds, while highlighting the fact that the platform also allows users to save money directly with the merchant and avail discounts.

Interestingly, if the growth numbers are anything to go by, then the SNBL platforms are indeed creating an impact. For instance, Tortoise says it has signed up over 150,000 customers since its launch and aims to achieve a gross merchandise value (GMV) of $5 billion over the next four years across verticals such as travel, electronics and appliances, home and auto, personal care and luxury. Hubble, on the other hand, has seen more than 400,000 app

“The key benefit of the ‘Save Now, Buy Later’ model is that there are no entry barriers—any customer can use it unlike credit products, which require a credit score or involve an approval process”

VARDHAN KOSHAL
CO-FOUNDER, TORTOISE

“When people save up for a future spend through Multipl, they get market returns (8-10 per cent annualised) and brand benefits (5-10 per cent). So, effectively, people can end up paying almost 20 per cent less”

PADDY RAGHAVAN
CEO & CO-FOUNDER, MULTIPL

downloads and says its revenue has been growing by 50 per cent every month.

IS IT BETTER THAN BORROWING?

Comparing the SNBL and BNPL models, Multipl’s Raghavan says, “The emphasis in BNPL is on obtaining credit and receiving satisfaction right away. Credit lines are offered for instant purchases. In the absence of a savings plan, this could result in people falling into a debt trap, hurt credit scores and lower savings, which does not leave much for emergencies.”

Indeed, the BNPL model’s rigidity in terms of repayment schedule, interest cost and processing fee makes it an expensive approach at times. Sometimes, the interest cost can be as high as 15-20 per cent if the repayment schedule is disturbed. Not to forget that there are no real incentives in the form of cashbacks or savings and the model can lead one to overspend as lenders are more than happy to dole out loans for discretionary spending by consumers.

Koshal of Tortoise believes that SNBL scores over BNPL in terms of accessibility as well, since anyone and everyone can use this route—even those without a credit score or low score—and there is no prior approval process. “Additionally, SNBL or ‘save to buy’ offers a debt-free alternative to make high-value purchases. This does not require or impact the customer’s credit score and liabilities. Plus, SNBL provides rewards over and above the direct purchasing price or even zero per cent EMIs offered in the BNPL model,” he says.

But, BNPL has its share of advantages, especially for those who need to make an immediate purchase but are running low on cash. Under BNPL, the borrower gets the option of an instant, short-term loan with a deferred repayment tenure, including the option of equated monthly instalments (EMIs) after the end of an interest-free period. “SNBL can be looked upon as the Yin to the Yang of BNPL,” says Abhishek Mody, a veteran of the fintech and payments space.

Interestingly, Mody believes that SNBL platforms could also look at offering incentives for purchasing essentials apart from the current bouquet of aspirational goods and services. “Currently it is offered in aspirational segments like travel, electronics or gold. However, start-ups may think about introducing SNBL in

15-20

PER CENT

LIKELY INTEREST RATE UNDER BNPL MODEL IF REPAYMENT SCHEDULE IS DISTURBED

“A bulk of Indians rely on savings for making purchases, but there is no reward for saving with a goal. Till recently, there was no efficient system of bringing merchants and consumers on the same platform while avoiding debt”

NEERAJ TULSYAN
CO-FOUNDER, HUBBLE

“People have realised that they can save monthly and then buy, which, in turn, helps them avoid any kind of debt trap. The big differentiator will be the number of brands in different segments a start-up is able to onboard”

MEHEKKA OBEROI
FUND MANAGER,
IIFL FINTECH FUND

essentials/regular use segments like *kirana*/grocery/education/insurance and utility payments, should the economics make sense. The average ticket size might be humble comparatively, but this could shape up as a game of scale,” says Mody.

However, not everyone believes that SNBL platforms would taste success in the essentials space as they have in the aspirational space. “SNBL is unlikely to work in small-ticket spend segments as no one is going to save to buy groceries, which has a very high recurrence rate. It is the value and utility of the use-case that will determine the utility of the savings platform or solution,” says Vignesh Ramanujam, Partner at Lok Capital and an early investor in Tortoise.

TRACTION NOW, SCOPE LATER?

The growth of SNBL start-ups coincides with the post-Covid-19 era that has seen an inherent increase in awareness regarding savings. One could argue that the going has been smooth for such start-ups till now, but the future could be tumultuous if consumer behaviour changes and millennials start mimicking the western trend of over-leveraging one’s personal finances.

Mehekka Oberoi, Fund Manager at IIFL Fintech Fund and an investor in Multipl, strongly believes that the SNBL space will only grow as it caters to more consumers and many more categories and brands come on to the platforms. “This is a niche segment that has been created recently. Over the past two to three years, savings as a segment is growing as users look for avenues to save and invest,” says Oberoi. She adds that currently, this is a segment that does not have many big players. “So the ones who get into it now will definitely enjoy some early-mover advantage. The challenge that needs to be overcome is the number of merchants that are onboarded,” she says.

In a similar context, Ramanujam says that the idea of savings versus credit is essentially about safety versus risk, and India traditionally has a strong savings culture. “It is just that earlier, the start-up focus was not there to weaponise savings as an instrument to improve our financial well-being. If one is able to marry savings with a specific purpose, then one can create a huge market as there is enough demand and supply,” he says, adding that merchant aggregation will play a key role going ahead.

SNBL players are well aware of the potential and challenges of the segment and are actively working towards getting more merchants and better deals for consumers. On the other hand, consumers can make big purchases on their own terms, and are also incentivised for saving. Seems a win-win for all. **BT**

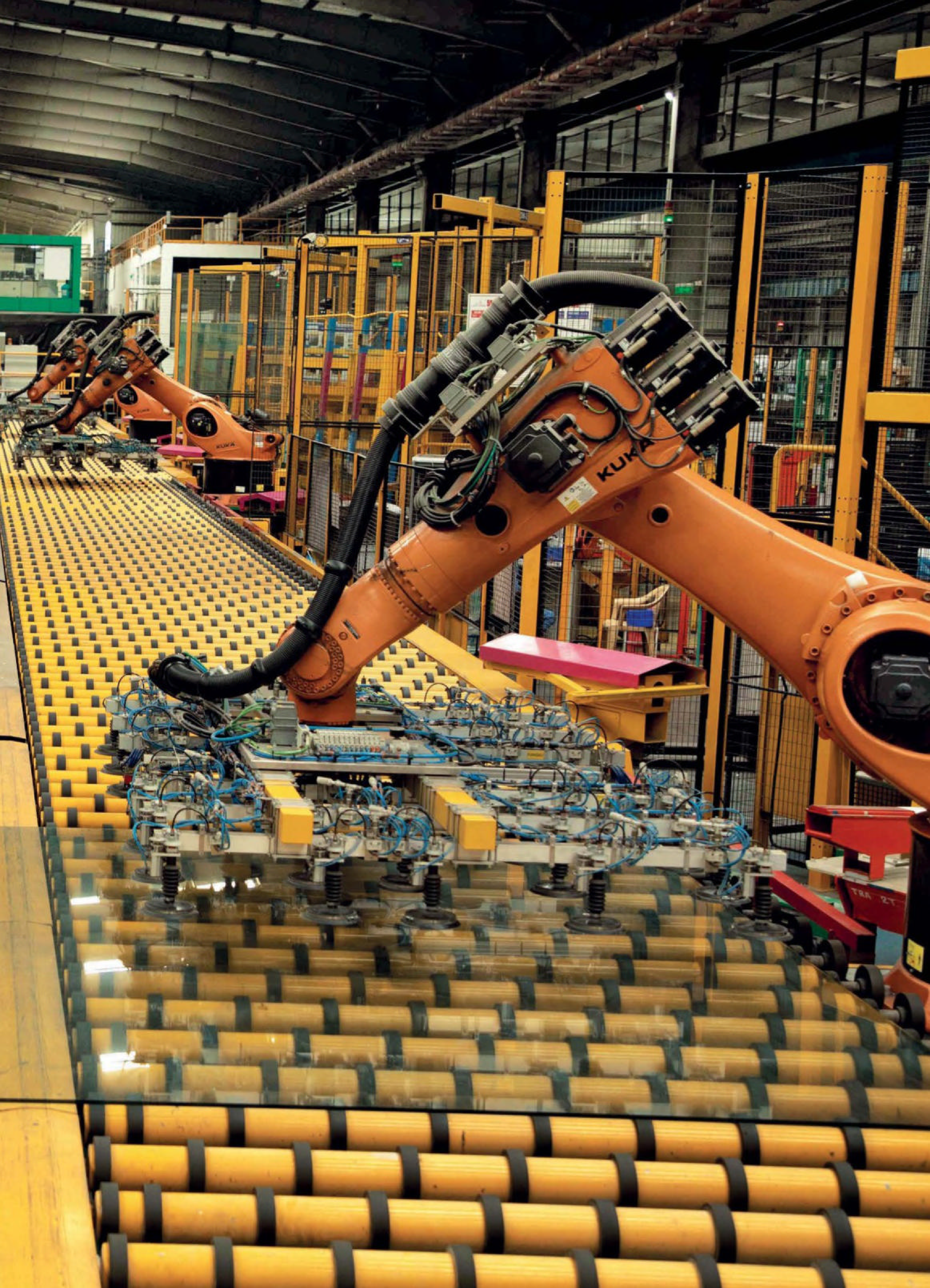
@ashishrukhaiyar,
@teena_kaushal

BREAKING THE GLASS BARRIER

PRIMARILY A B2B PLAYER, FRANCE-BASED SAINT-GOBAIN IS GETTING INTO THE B2C SPACE BY WAY OF HOME IMPROVEMENT SOLUTIONS. BUT IT WON'T BE EASY AS THERE ARE MANY CHALLENGES AHEAD

BY **KRISHNA GOPALAN**

PHOTO BY **RA CHANDROO**



KUKA

VAPI IS A two-hour train ride from Mumbai. This small city in Gujarat with a population of 160,000 people once used to be in the news for its worrying pollution levels. More than that, the city is also known for its enterprising business community with high levels of disposable income. But like in many non-metro cities of India, that money is not always visible.

About a year ago, the management of Saint-Gobain India caught a glimpse of this wealth when they received a request for a quote from an individual in the city for doing up his home. The requirement included shower enclosures, doors and sliding shutters, among other fitments, and the amount to be spent was a not-so-small ₹20 lakh.

Narrating the story, B. Santhanam, CEO of Saint-Gobain, Asia-Pacific and India Region, and Chairman of the Indian business, says that the company's foray into the B2C (business-to-consumer) space was driven by an opportunity observed in the home improvement segment coupled with its own strengths in the areas of designing, manufacturing and distributing various home improvement products. Apart from Saint-Gobain India, the group's only unlisted entity in India, its operations also include Grindwell Norton and Saint-Gobain Sekurit India—all operating in the B2B (business-to-business) space. Now, a strategy to get a chunk of the B2C market in India by way of home improvement solutions is underway. The group currently provides solutions in the form of products such as windows, shower cubicles, kitchen and wardrobe shutters, ceilings and roofing products and mirrors, among others.

Across its three companies in India, the revenue for the current calendar year is expected to be ₹12,000 crore. The target for 2030 is set at ₹30,000 crore, which will be a steep 2.5x jump on an already large base. Today, just 5 per cent of the group's revenue comes from the B2C business, and on a larger revenue base, that proportion will increase too.

SOUNDS LIKE A PLAN

Sitting in his office at the company's World Glass Complex (WGC) located in Sriperumbudur that is about an hour's drive from Chennai, Santhanam speaks of how the need to get into consumers' homes was an idea conceived around a decade ago. A company lifer (he joined Grindwell Norton in 1980 before it was acquired by Saint-Gobain in 1996), he outlines the challenge quite succinctly when he says, "We knew it had to be done but did not know how to go about it."

The sprawling campus, spread across 177 acres on the Chennai-Bengaluru highway, provides an interesting backdrop for this conversation, interspersed by the chirping of birds. The French major, with a global turnover of over €44 billion, has put in place robust facilities for rainwater harvesting and other sustainable measures. With a

POLISHED TO A SHINE

① At least 80 per cent of India's real estate market is residential

② The home improvement market in India is worth $30 billion

③ Over 95 per cent of that is unorganised in nature

④ Saint-Gobain is looking to be a solutions provider to get a chunk of the home improvement market

⑤ The company believes its revenues can grow by 2.5x from here somewhat rueful smile, Santhanam explains the challenge of completing an order and what normally transpires between the time an order is received and when it is completed. “You have the fabricator coming over to take measurements and then he will go to the dealer for the glass. That is only the beginning of a long and often arduous process,” he says.

To him, the entire value chain is unorganised and messy but digitising it is a must. To that end, about two years ago, Saint-Gobain rolled out the first My Home physical store in December 2020, with 38 more having come up since then. The model is quite simple. The store is run by an individual with an understanding of the home improvement business while the company supplies the finished products. At the core of this is the philosophy of convenience, which of course, comes at a cost. How does one convince the value-conscious Indian consumer to pay that extra amount? “If I remove the pain points, then my product will be easily accepted,” says Santhanam. In today’s scenario, he explains, it is anything but easy to get a plumber and electrician to your home at the same time, which leads most Indians to look for a value proposition. “If the issue is one of time and I can offer a quality product at your doorstep, the consumer will definitely pay for it,” he says.

India is a high-growth market for Saint-Gobain and the company is on track to invest ₹6,000-8,000 crore between 2021 and 2025, with a large part marked for greenfield and brownfield expansions and a small chunk on acquisitions. The B2C business will also see considerable investment. Around half of its existing business comes from glass and glass solutions and another 25 per cent from gypsum solutions and construction chemicals. Ceramics and refractories bring in 10 per cent, as does surface solutions, with 5 per cent being accounted for by life sciences.

Shajai Jacob, MD & Country Head of ANAROCK Group Business Services, points out that at least 80 per cent of the overall real estate demand comes from residential, with the rest 20 per cent being commercial, which includes office space, retail, hospitality and warehousing. “The trend of discerning, demanding and aspirational consumers is more evident than ever before. One is seeing demand for premium brands from cities like Lucknow, Jaipur, Indore, Aurangabad, Mangaluru, Kochi and Coimbatore,” he says.

To explain this transition, he points to how Jaquar was a premium bathroom fittings brand a decade ago. “Today, the brand is a hygiene requirement for most washrooms and consumers. The reasons for this are higher disposable income and savings as well as reverse migration especially into Tier II centres,” Jacob says. The latter is an accelerated result of the pandemic, he adds, with those moving out of metro cities wanting the same product quality that they had while staying in Delhi or Mumbai.

So, just what kind of numbers are we speaking of here? There are around 4 million homes built in India each year. Santhanam says even if the company manages to service 10 per cent of that (around 400,000 units), it would throw open a significant market. Assuming that an average of ₹3 lakh is spent on each house, it adds up to revenues of ₹12,000 crore annually. “Higher disposable incomes mean a lot more will be spent,” he says, while quickly pointing out that Saint-Gobain is well-placed to take advantage of the B2C opportunity. “We have a deep understanding of material science with a focus on sustainability and a huge brand recall. Besides, there is an unorganised

“We have a deep understanding of material science with a focus on sustainability and a huge brand recall”

B. SANTHANAM
CEO (ASIA-PACIFIC) AND CHAIRMAN, SAINT-GOBAIN INDIA

“More than 95 per cent of it (the home improvement market in India) is unorganised and serviced by independent interior designers, contractors and labourers”

SAURABH JAIN
CO-FOUNDER & CEO, LIVSPACE INDIA

“There is limited growth from a single product category. To grow further, a company has to widen its product portfolio or build multiple distribution channels”

HARSHIT J. KAPADIA
VP, ELARA SECURITIES

value chain where digital can be of great help.” The change in the consumer’s mindset from looking for brick, cement, steel and labour will be about wanting a solution. Of course, all this means that Saint-Gobain will now deal with the end consumer without any third-party intervention.

Interestingly, the move from B2B to B2C is not new in India. Analysts say there is sound business logic for players to do that. “There is limited growth from a single product category or a single business channel. To realise further growth, a firm has to either widen its product portfolio or build multiple distribution channels. Besides, getting closer to the consumer helps businesses in product innovation based on direct feedback,” says Harshit J. Kapadia, Vice President at Elara Securities. He cites the example of HSIL, owners of the Hindware sanitary ware brand, that launched Hindware Appliances. “When it comes to profitability, the margins in the long term for a B2C channel are higher than what one sees in a B2B business,” he adds.

While the opportunity looks significant, it is not devoid of challenges. Kapadia says that management bandwidth is taken away in managing a B2C business or in creating a new one. “Ideally, there should be a separate team for the B2C channel. Besides, a company needs to get the right channel partners and offer the right incentives apart from constantly innovating products when it comes to B2C,” he says.

DIGITAL ALL THE WAY

Last November, Saint-Gobain picked up a minority stake in Livspace, a digital-first intermediation platform that offers end-to-end solutions for home interiors. “We bring the expertise and solutions, while Livspace has built up relationships with its customers,” says Santhanam. Today, Livspace, that turned unicorn this February, serves around 25,000 homes annually in India and counts the likes of Ingka Group Investments, Jungle Ventures, Venturi Partners and Peugeot Investments among its investors. Meanwhile, Saint-Gobain’s investment in Livspace will allow the French major to pick up insights into consumer behaviour, technology and supply chain while also promoting its solutions under the Saint-Gobain brand.

“One of the lesser talked about aspects of the pandemic is an increase in disposable income. A part of this discretionary spending, especially for homeowners, has gone towards home renovation projects—to improve the new ‘home office’,” says Saurabh Jain, Co-founder and CEO of Livspace India. It’s not just the workspace where the money is being spent. “There has been significant interest in renovating specific spaces such as the balcony area, kitchen, and wardrobe; more specifically in the non-metros. In an average home, modular solutions make up over 50 per cent of the renovation spending, with that number being higher in non-metros,” he points out.

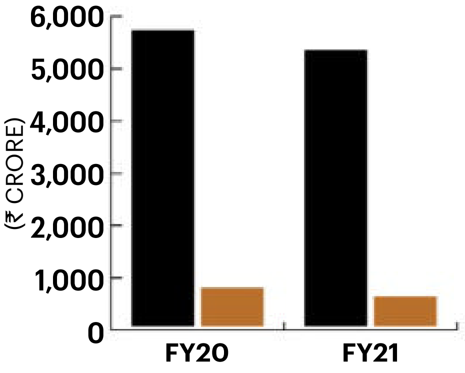
This spending is quite marked when one looks at homeowners moving into new apartments and high-rises. Jain estimates the size of the home improvement market in India to be at around $30 billion. “More than 95 percent of it is unorganised, serviced by independent interior designers, contractors, and labourers,” explains Jain. On the issue of the accelerated adoption of tech across consumer segments, he maintains that there has been a substantial shift in an industry known to be high on touch and feel. “Today, we see customers comfortable with

MAKING IT COUNT

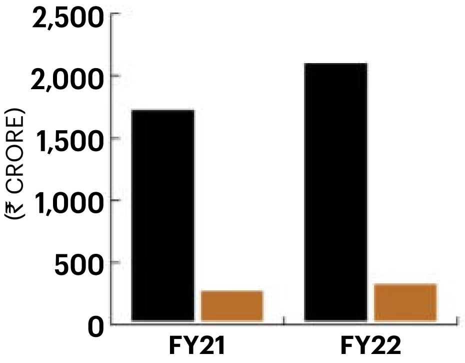
Saint-Gobain aims to increase its combined revenues to ₹30,000 crore by 2030

■ TOTAL REVENUE ■ NET PROFIT

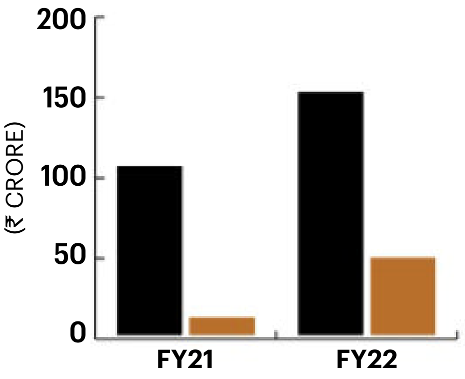
SAINT-GOBAIN INDIA PVT. LTD



GRINDWELL NORTON LTD



SAINT-GOBAIN SEKURIT INDIA LTD



THE COMBINED REVENUE FOR THE FIRST NINE MONTHS (JAN-SEPT) OF 2022 IS ₹9,000 CRORE AND THE THREE ENTITIES IN INDIA ARE EXPECTED TO END THE YEAR AT ₹12,000 CRORE

SOURCE ANNUAL REPORT, ROC

CAUTIOUSLY OPTIMISTIC CEO B. Santhanam says the road ahead will not be easy, but B2C by way of home improvement solutions is a path that Saint-Gobain India must take to achieve its next round of growth

virtual collaboration visualising their homes in 3D and selecting materials through an e-commerce-like material listings. In fact, two out of three of our new orders originate through virtual collaboration."

Livspace gives Saint-Gobain a foothold in the apartment segment but a larger market lies in wait for them. Hemant Khurana, Executive Director, Saint-Gobain India (Home and Hospitality Business) speaks of how satellite maps are now being used by the company to identify high-density residential clusters, both in the premium and non-premium segments. "That is the starting point. Through digital [tools], we can use public data to look at those who have applied for a licence in the hospitality business or RERA (Real Estate Regulatory Authority), which tells you at what stage of construction a building is apart from its detailed drawings," he elaborates. According to him, Tier III and IV centres have a large number of independent homes—a potential market for the firm. "The home loan disbursals in these locations account for 35-40 per cent of the total," he adds. ANAROCK's Jacob sees merit in Saint-Gobain's strategy and sees high levels of latent demand in Tier II and III centres. "These areas are quite underpenetrated with premium offerings and the move from a more commoditised scenario to one led by a preference for brands is already underway," he says.

In the end, it is a question of picking the right adjacencies and by the looks of it, Saint-Gobain has its hands full, at least for a while. "Even if we stick to what we are good at and don't get into something like plywood or lighting, we will be on course to hit the revenue numbers," says Santhanam. India has seen the foray into adjacencies such as that of Havells India which went from cables and wires to switches, fans, appliances, etc. "Other examples include Polycab India or Crompton Consumer via the acquisition of Butterfly Gandhimathi, Orient Electric's foray into switchgear and lighting, Jaquar launching lighting products or Asian Paints venturing into home décor and furnishings. These adjacencies have helped companies register double-digit growth and enhance the valuation multiples," says Elara's Kapadia.

A cautiously optimistic Santhanam admits that the road ahead will not be easy, but B2C is a path Saint-Gobain India must take. "If we don't, someone else will," he says in all seriousness. The next chapter of the French major's India story seems interestingly poised, and could very well be growth beyond glass. **BT**

@krishnagopalan

PRIVATE PROTOCOL

AS THE GOVERNMENT LOOKS TO STREAMLINE PRIVATE EQUITY AND VENTURE CAPITAL INVESTMENTS, THE COUNTRY'S PRIVATE CAPITAL ECOSYSTEM IS HOPING FOR RESOLUTIONS TO SOME LONG-STANDING PAIN POINTS

BY **BINU PAUL**

ON FEBRUARY 1, 2022, Finance Minister Nirmala Sitharaman addressed a long-pending demand of the venture capital (VC) and private equity (PE) community by announcing that the government will set up a panel of experts to examine the issues concerning the investor ecosystem. Seven months later, a high-level panel headed by former Sebi chairman M. Damodaran was formed, and tasked with suggesting steps to scale up PE and VC investments in the country.

It's still early days for India's PE/VC industry. Per an Indian Venture and Alternate Capital Association (IVCA)-EY report, the industry made investments worth $77 billion across 1,266 deals in 2021. In the first half of 2022, PE and VC firms recorded investments worth $34 billion across 714 deals. More than 80 per cent of the private capital invested in India comes from foreign investors—there is no other significant source of risk capital available for the country's growth enterprises. Foreign investors continue to invest, in the belief that India will outperform other markets.

Yet, investors and funds are grappling with ambiguity related to taxation of carried interest, treatment of long-term capital gains (LTCG), restrictive foreign pricing rules and co-investment framework, use of convertible instruments, absence of hedging and leveraging options, downside protections, and lack of a single-window system to address the issues of the industry.

PE/VC investors are of the view that the country's regulations have not kept up with the complexities of this industry. "We make regulations unnecessarily complex, which is why 80 per cent of the capital still looks like FDI. Reforms should be [about] streamlining [processes], easing unnecessary steps and levelling the playing fields with overseas VCs," says Karthik Reddy, Chairperson of industry body IVCA, and Co-founder and Managing Partner of Blume Ventures.

One of the primary asks from investors is to find a solution to the taxation of 'carried interest' or 'carry', that is taxed under income tax as well as GST. Carry, in VC parlance, is the share of profit general partners of a VC fund receive in compensation for the management of a fund. Bhavin Shah, Deals Leader at PwC India, suggests that the committee should consider making the "pass-through" provisions of the Income Tax Act applicable to funds to determine that carried interest retains the same character as the underlying income of the fund, similar to the practices followed by countries like the US and the UK. "Globally, 'carried interest' is taxed as capital gains (profit share) and not as income from services. Think of the manager as an active partner of a partnership firm and investors

A high-level panel headed by former Sebi chairman M. Damodaran has been tasked with suggesting steps to scale up PE and VC investments in India

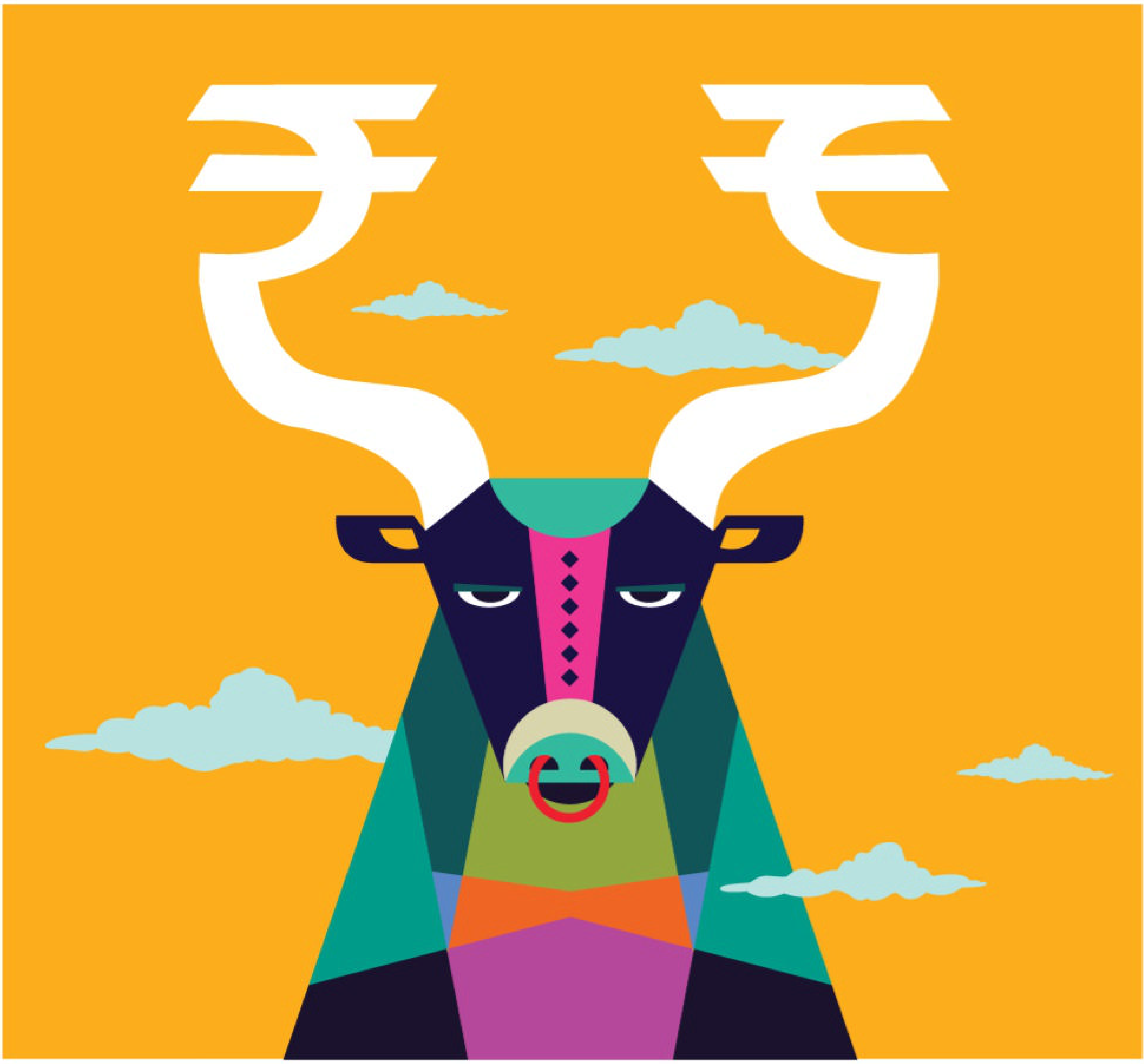


ILLUSTRATION BY **RAJ VERMA**

TAKING THE BULL BY ITS HORNS

1

Finance Minister Nirmala Sitharaman had announced the plan to set up an expert committee to look into the issues plaguing PE/VC funding in India in her Budget speech on February 1, 2022

2

The committee is tasked with suggesting reforms to improve the venture capital ecosystem in India and recommend ways to scale up PE/VC investments as well

3

The investor community hopes that the committee will help in creating a level playing field for Indian and international funds

4

The committee will likely present a set of recommendations to the finance ministry before deliberations begin for the FY24 Union Budget as passive partners. Except for payout of appropriate remuneration (management fees in case of the fund industry), profit distribution amongst partners is not treated as income from services," he explains.

Reddy says these regulatory complexities put Indian funds at a disadvantage. "Somebody sitting in New York can do a deal much faster and efficiently, without even visiting India, at more tax-friendly terms, while the hard-raised money of an Indian fund gets GST imposition because it is based here. How do we compete?" Reddy asks.

ANOTHER LONG-PENDING demand is to bring parity in the treatment of LTCG for listed and unlisted securities. The LTCG tax rate is 10 per cent for listed shares and 20 per cent for unlisted shares. PE/VC is an asset class that invests patient, risk capital and stays for the long term, industry players say, adding that bringing parity in LTCG tax will inspire more investors to come into the industry.

Pranav Parikh, Managing Partner of PE and VC Funds at Edelweiss Financial Services, says foreign pricing rules are still very restrictive in India. "One of the things that restrict foreign-owned entities in this country is that they are considered foreign-owned and controlled even though all their capital is in India and it never leaves the [country's] shores," he says. He also calls for hedging and leveraging to be allowed in the AIF structure.

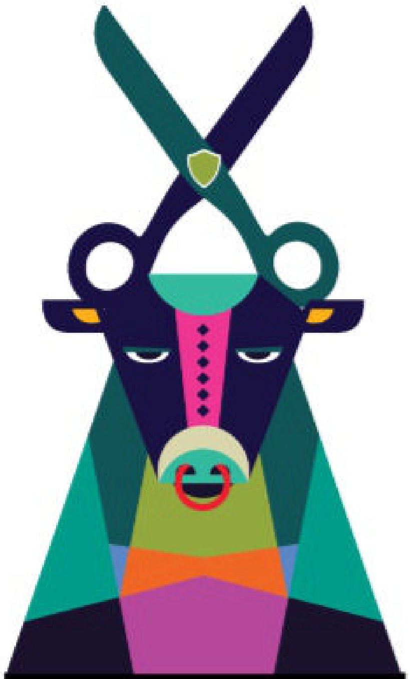
Manav Nagaraj, Partner-General Corporate at Shardul Amarchand Mangaldas & Co., adds that the Damodaran-headed panel should also look into issues related to convertible instruments, downside protection, ease of investment and exit and ease of fund formation. It should also introduce global best practices, he adds.

Rashi Kapoor Mehta, Partner at Universal Legal, also calls for better clarity on the use of convertible debt structures and SAFE (simple agreement for future equity) notes by angel platforms. "There are platforms doing investments via SAFE notes and compulsorily convertible debentures (CCDs). What checks and balances... [have] these platforms... [put] in place?" she asks. CCDs are debt instruments that have to be mandatorily converted to equity shares at a later stage.

Mehta adds that while angel funds have a different set of criteria for investors, they need to be drilled down further to accommodate participants with smaller ticket sizes. She also expects some employee-friendly regulations for ESOPs. The panel, Mehta adds, should bring clarity to the concept of round-tripping, which refers to funds channelled through foreign firms as investments by resident investors that ultimately return to the origin under the guise of foreign investment.

Vijay Lavhale, Co-founder of venture debt marketplace 8vdX, agrees. He says high-net-worth individuals (HNIs) are unable to invest in offshore funds that invest in Indian start-ups due to round-tripping regulations, even though they are allowed to invest in offshore venture funds using the liberalised remittance system (LRS). "Therefore, only 'plugged in' angels, who have access [to ventures] can invest in tomorrow's unicorns—especially those that are incorporated offshore. Regulations should be eased to allow HNIs to invest in offshore venture funds that make investments in Indian start-ups."

Lavhale points to another pain point: foreign venture debt providers incur additional costs because of the tenure terms in the current structure. "[Such] investors... are treated the same as [those who provide] non-convertible debentures (NCDs) to large corporations," he



THE INDUSTRY WISHLIST

- **Bring parity in the treatment of LTCG for listed and unlisted securities**
- **Ease taxation of 'carried interest'**
- **Resolve issues related to convertible instruments**
- **Streamline investments and exits; make IPO processes efficient and fast**
- **Ease rules of fund formation and simplify foreign pricing rules**
- **Bring clarity on round-tripping of funds**
- **Create a single-window clearance system and a separate regulatory body for AIFs**

“We make regulations unnecessarily complex for capital to come into the Indian alternative investment fund (AIF) structure. Reforms should be about streamlining [processes], easing unnecessary steps and levelling the playing fields with overseas VCs”

KARTHIK REDDY
CHAIRPERSON, IVCA AND CO-FOUNDER AND MANAGING PARTNER, BLUME VENTURES

“Globally, ‘carried interest’ is taxed as capital gains and not as income from services. Except for payout of appropriate remuneration, profit distribution among partners is not treated as income from services”

BHAVIN SHAH
DEALS LEADER, PWC INDIA

“One of the things that restrict foreign-owned entities in this country is that they are considered foreign-owned and controlled even though all their capital is in India and it never leaves the [country’s] shores”

PRANAV PARIKH
MANAGING PARTNER, EDELWEISS FINANCIAL SERVICES

“While we have angel funds and have a different set of criteria for investors in angel funds, I think it needs to be drilled down further to accommodate for even smaller-ticket participants, which the current regulations do not allow”

RASHI KAPOOR MEHTA
PARTNER, UNIVERSAL LEGAL

says, adding that these carry restrictions on minimum tenure such that only 30 per cent of an FPI’s portfolio can be in short-term instruments of less than three years’ maturity. Since most venture debt investments are of 18 months’ tenure, FPIs have to set up a local fund structure (AIF) increasing legal, compliance and operational costs.”

Jidesh Kumar, Managing Partner of corporate law firm King Stubb & Kasiva, calls for the creation of a separate regulator for the private market. “There must be a separate regulator for AIFs as Sebi, in its current setup and avatar, doesn’t understand private market dynamics as well as it understands the public market. In the private market, the risk-reward programme is [more] aggressive, with a lot of responsibility on Sebi as the public market regulator to preserve investments due to the diversity of the investors in the public market,” he says.

THE SIX-MEMBER committee—that has former Sebi whole-time member G. Mahalingam; former CBIC member D.P. Nagendra Kumar; former principal commissioner of income tax Ashish Verma; Poonam Gupta, Director General of National Council of Applied Economic Research; and P.R. Acharya, Director of Arun Jaitley National Institute of Financial Management—as its other members, is evaluating the recommendations made by IVCA and other industry bodies. Damodaran declined to participate in the story, saying that the committee had just started its work. According to industry sources, the committee aims to present a number of recommendations to the finance ministry before the Budget deliberations start. It is expected that some of its recommendations will make it to next year’s Budget document.

Globally, institutional capital drives the alternative investment landscape whereas in India, HNIs and family offices are driving its adoption. A friendly regulatory environment can attract a lot more domestic institutional capital to this asset class and also draw more family offices to create AIFs, which will bring more capital under regulatory ambit. At a time when investor sentiment towards start-up funding is pessimistic, positive regulatory reforms can help lift the mood of the ecosystem. BT

@binu_t_paul

DEBT FUND
CORPORATE BONDS
FDs

MONEY TODAY

THE RIGHT FIX

WITH INTEREST RATES RISING, FIXED-INCOME INSTRUMENTS HAVE SUDDENLY BECOME ATTRACTIVE. TAKE YOUR PICK FROM FDs, DEBT FUNDS OR CORPORATE BONDS

BY **TEENA JAIN KAUSHAL**

ILLUSTRATION BY **RAJ VERMA**

THE YEAR 2022 has seen some unprecedented events. While the world was coming out of Covid-19-led disruptions, the commencement of the Russia-Ukraine conflict, coupled with other economic headwinds, led to a surge in commodity prices, further causing volatility in financial markets across the globe. Many developed countries have touched multi-decade-high inflation rates, forcing their central banks to go for inflation-targeting monetary policy, which has led to an aggressive rate hike cycle. Consequently, interest rates have shot up globally and most currencies have turned even more volatile.

Back home, the situation is not very different. The Reserve Bank of India (RBI) has also increased the repo rate—the rate at which banks borrow from the central bank—four times since May 2022, and it is expected to further hike policy rates before taking a pause. Against this background, fixed deposit (FD) rates have gone up slightly. In such a scenario, the question arises: should one invest in FDs to cash in on the rising rates? Or are debt funds a better option with many of the view that interest rates are nearing their peak? Or is it better to invest in corporate bonds?

Let's take a look at the state of different fixed-income segments and the strategy you should follow to get the maximum benefit.

DEBT FUNDS

Let us start with debt funds. The RBI has been increasing rates and reducing system liquidity over the past year, leading to yields rising across maturities. Sample this: In the past five months, the repo rate has been raised by 190 basis points (bps) to 5.9 per cent, while the benchmark 10-year G-sec yield has risen 160 bps to 7.4 per cent. Accordingly, over the past year, debt funds have not done well, as they saw the prices of their holdings going down; because, when interest rates rise, bond prices fall and since debt mutual funds (MFs) need to mark their net asset values (NAV) to the market daily, with the drop in bond prices, NAVs also suffer. "Debt funds have seen investors pulling out almost ₹2 lakh crore this calendar year and the returns were mostly positive—3-4 per cent annualised," says Sandeep Bagla, CEO of TRUST Mutual Fund.

So, is it a good time to invest in debt funds? "We are recommending investments into funds that have roll-down or portfolio maturity of two years or lesser. It is quite possible that inflation could remain stubborn and yields may remain higher for a long time. At this point, we would advise only a 5-10 per cent to longer-term funds, about 25 per cent to liquid/money market funds, and about 65 per cent to short-term funds or BPSU (banking and PSU) debt funds with roll-down maturity of lower than two years," says Bagla.

Similarly, if you have a medium-term horizon (four-six years), don't mind short-term fluctuations in returns and are looking at post-tax returns, then a class of debt funds, called Target Maturity Funds, score over FDs. "Target Maturity Funds offer yields (net YTM) in the range of 7-7.25 per cent over maturity of four to six years. They predominantly invest in government securities, PSU bonds and state development loans (SDLs), and the instruments are held till maturity of the scheme. They are a good investment option if one treats them like open ended fixed maturity plans (FMPs)," says Alok Agarwala, Chief Research Officer, Bajaj Capital Ltd.

Given that there are 16 Sebi-defined categories under debt funds, the easier way is to match your investment horizon to the average maturity of the scheme.

"Both debt MFs and FDs have some advantages as well as disadvantages over the other. Debt MFs carry interest rate risk which make them unattractive when interest rates rise. But they also have a lower risk of default, as they have a highly diversified portfolio. Plus, income tax on gains from debt MFs is materially lower compared to FDs," says Agarwala.

The tax advantage also makes debt funds attractive. "When bond rates are rising faster than bank FD rates, investing in bond funds should give a portfolio yield higher than FDs. If an investor holds investment in MFs for more than three years, the investor would need to pay long-term capital gains (LTCG) tax with indexation benefit. Hence, the post-tax returns for debt MFs could be much higher than that of bank FDs, as there are no tax benefits for holding three-year deposits," says Bagla.

Currently, it is advisable to lock your funds only in short maturity schemes, as inflation may remain high for a long time. However, one should always invest based on risk profile. For complete risk-free investment, FDs are certainly better. "For example, in FDs, whereas bank deposits carry a low interest rate of 5.45-6.10 per cent, certain AAA-rated corporate deposits carry a coupon of around 7 per cent or slightly higher, which, coupled with a lack of interest rate risk, makes them an attractive proposition," says Agarwala. But, if one wants to leverage on interest rate movement then debt funds could be the choice.

CORPORATE BONDS

Now for corporate bonds. While investing in bonds directly, one needs to be mindful of the interest rate cycle and maturity of the securities, as interest rate and bond prices are inversely correlated. For example, if you hold a long-term bond with an interest rate of 10 per cent and the rate goes up to 12 per cent, the value of your bond will reduce. The change in the price of the bond is based on interest rate movement. The longer the duration of the bond, the higher the impact on the bond price. But, if you stay invested, at the end of the tenure you will get the coupon rate that was locked in at the time of buying the bonds.

Currently, with the rise in interest rates, corporate bonds are offering a much higher rate

> **"Debt funds this calendar year have seen investors pulling out almost ₹2 lakh crore and the returns were mostly positive, between 3 per cent and 4 per cent annualised"**
>
> **SANDEEP BAGLA**
> CEO, TRUST MUTUAL FUND

> **"Certain AAA-rated corporate deposits carry a coupon of around 7 per cent or slightly higher, which, coupled with a lack of interest rate risk, makes them an attractive proposition"**
>
> **ALOK AGARWALA**
> CHIEF RESEARCH OFFICER, BAJAJ CAPITAL

THE PLAYBOOK

A LOWDOWN ON INVESTMENT STRATEGIES FOR THE FIXED-INCOME SEGMENT

Fixed income product	Rate/return	Risk	Taxability
Debt funds	3-4% annualised (since Jan)	Interest rate and default risk	If an investor holds for more than three years, LTCG tax (20%) needs to be paid with indexation benefit; taxed as per individual tax slab if redeemed before three years
Fixed deposit	5.45-6.10% (annual)	No interest rate risk	Interest income taxable based on individual tax slab rates
Corporate bonds	7-13%	High risk in case of low-rated papers	STCG tax is applicable as per tax slab; if held for over three years, LTCG tax is levied (20%) with indexation benefit; if a bond is held until maturity, the interest income is taxed as per the tax slab and there is no capital gains tax
State bonds	7-8%	Interest and low credit risk	Same as corporate bonds
Corporate deposit	Up to 7%	Default risk	Interest income taxable as per individual tax slab rates
RBI floating rate savings bonds	7.15%	No interest and credit risk	Interest income taxable based on individual tax slab rates
Pradhan Mantri Vaya Vandana Yojana	7.4%	No interest and credit risk	Pension is taxable as per individual tax slab rate

(up to 13 per cent) than FDs (5-6 per cent for a tenure of one-three years). "Corporate bonds in the fixed-income category are one of the best options to invest in. Currently... the top performing corporate bonds [are]... Muthoot Fincorp (subdebt) with yield of 10.50 per cent; Indiabulls Housing Finance Limited (unsecured) with yield of 14.25 per cent; and Piramal Capital & Housing Finance Limited (secured) with 11.4 per cent yield," says Ankit Gupta, Founder of BondsIndia.com.

OTHER OPTIONS

Not just corporate bonds, state bonds are also performing well. "On a 10-year paper, state bonds are offering approximately 7-8 per cent return, which is pretty decent compared to G-secs," Gupta adds.

Though it is easy to get swayed by the high interest rates, note that this instrument comes with high credit risk. Hence, while investing in corporate FDs and bonds, one must check the credit quality of the issuer and also diversify the investments uniformly across at least four to five issuers. "Never put all your money in bonds or FDs of a single issuer or companies from a single sector. Given the current macroeconomic backdrop, one should invest only in highest rated bonds or FDs, even if it means sacrificing some returns," says Agarwala.

Then there are other secured options available such as Floating Rate Savings Bonds of the RBI where the return does not vary with the interest rate movement; they are issued by the Indian government. Here investors can purchase the Floating Rate Savings Bonds 2022 with an interest rate of 7.15 per cent—35 bps higher than the rate offered on the National Savings Certificate, and there is no upper limit on investment. But, there is a lock-in period of seven years and the interest rate is announced in advance every quarter for these bonds.

For senior citizens, there are more options such as Senior Citizens Savings Scheme (SCSS) offering 7.6 per cent and Pradhan Mantri Vaya Vandana Yojana (PMVVY), a retirement scheme. PMVVY pays out a pension at the assured rate of 7.4 per cent. The scheme is for a fixed period of 10 years. One can invest up to ₹15 lakh in the policy for a monthly pension of ₹9,250.

Repo rates have risen significantly since they hit the bottom (4 per cent) in April 2020. By carefully diversifying your fixed income portfolio, you can earn higher returns. But always remember higher returns come with higher risks. BT

@Teena_Kaushal

THE GOOD LIFE

TRENDS | TECH TODAY | DOWNTIME

Cognac is a specific type of brandy made by distilling white wine produced from grapes grown only in the Cognac region of southwest France

NECTAR OF THE GODS

Expensive, French and usually seen glistening on the top shelves of bars, cognac is elusive. Here's everything you need to know about the classic spirit

BY **SMITA TRIPATHI**

V**ICTOR HUGO** of *Les Miserables* fame described cognac as 'the liquor of the gods'. So what makes the amber liquid so special to be given such an exalted status? "Cognac is distilled white wine which is then aged for years. Sometimes for decades, as is the case for Louis XIII. It comes only from the Cognac region in Southwest France," says Malo Le Mestre, Brand Ambassador in India for Louis XIII, one of the world's most exclusive cognac brands.

The history of cognac stretches back to the 1600s. The story goes that it was the Dutch who wanted to carry wine from France to the Netherlands. But it did not travel well. So they decided to distil it. At first it was distilled only once, probably to keep it as close to wine. However, they soon figured that double distillation created a far smoother drink. And so was formed 'brandwijn' or burnt wine or what we today call brandy. The French then further refined the process. While all cognac is brandy, not all brandy is cognac, similar to how all champagne is sparkling wine but not all sparkling wine is champagne. The French seem to have a fascination for such things.

So what is cognac exactly? Cognac is an exclusive type of brandy produced from distilled white wine made from white grapes from three varietals grown in Cognac: Colombard, Folle Blanche and Ugni Blanc (with a large majority being made from Ugni Blanc). It must be distilled twice, using copper pot stills, and aged in French oak barrels for a minimum of two years. The distillation results in what is called eau-de-vie (or water of life). “Regardless of age, eaux-de-vie remain known as such until they’re blended together. The blending, therefore, is a key factor that takes myriad eaux- de-vie and turns them collectively into an exclusive blend such as the Louis XIII,” says Le Mestre. “The challenge that the cellar master has is to recreate that exact blend from 1874 (when the first decanter of Louis XIII was released). The whole complexity is to recreate something knowing that your raw material will vary from one year to another, depending on the grapes growing and weather conditions every year,” he adds. Louis XIII is made from a blend of up to 1,200 individual eaux-de-vie, using grapes grown in the Grande Champagne region of Cognac, making it an extremely complex drink. Little wonder, this very special cognac named after the 17th-century French King—who was the first French monarch to recognise cognac as a category of brandy in its own right—is one of the most expensive cognacs sold, with a decanter priced at ₹3.50 lakh in Delhi.

Some of the largest cognac brands formed pretty early. Martell, the oldest continually operational cognac brand, has a history stretching back to 1715; Rémy Martin came into play in 1724; and Hennessy in 1765. Courvoisier is the “newest” on the scene. It started production in the Cognac region only in 1828.

Today, Hennessy, part of the LVMH group, is by far the largest distiller, accounting for roughly 69 per cent of global sales volume according to Statista. It is followed by Martell (part of Pernod Ricard), Rémy Martin (from family-owned business group Rémy Cointreau) and Courvoisier (part of Beam Suntory). The global cognac market is valued at $5.5 billion in 2022 and is expected to reach $10.2 billion by 2032, growing at a CAGR of 6.4 per cent from 2022 to 2032, as per market research company Fact MR.

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THE GLOBAL COGNAC MARKET IS VALUED AT $5.5 BILLION IN 2022 AND IS EXPECTED TO REACH $10.2 BILLION BY 2032, GROWING AT A CAGR OF 6.4 PER CENT FROM 2022 TO 2032

Hennessy’s most coveted cognac is the limited edition Richard Hennessy, named after the army man who built the Maison Hennessy. Offered in a hand-blown decanter in Baccarat crystal, the blend is made from some of the scarcest eaux-de-vie in Hennessy’s reserves. A decanter is priced for ₹5 lakh in Gurugram and ₹5.46 lakh in Mumbai.

Unlike whisky that has an age statement depending upon how many years it has been aged in the cask, cognac has differing grades, shown by V.S, V.S.O.P, X.O, etc. V.S., or Very Special, is a cognac that has been aged for at least two years in oak barrels. Very Superior Old Pale, V.S.O.P., is an older cognac—its youngest eaux-de-vie being aged for a minimum of four years—and is paler in colour compared to the V.S. Finally, the X.O. or Extra Old, designates a blend that has been aged for a minimum of ten years. Earlier this was six years but in 2018, new classifications came into place.

EXTRA OLD CO
MARTELL
XO

2

3

1. **Hennessy's most coveted cognac is the limited edition Richard Hennessy. A decanter is priced for ₹5 lakh in Gurugram and ₹5.46 lakh in Mumbai**

2. **Martell, the oldest continually operational cognac brand, has a history stretching back to 1715**

3. **The exclusive Louis XIII, named after the 17th-century French king who was the first French monarch to recognise cognac as a category of brandy in its own right, is priced at ₹3.50 lakh in Delhi**

Cognac has a lesser-known cousin—armagnac—produced in the Armagnac region of southwest France. While cognac is distilled twice, armagnac is distilled once. Since most of the cognac is exported—with the US and China being the biggest markets—it is more popular than armagnac that is consumed primarily in France.

So how should cognac be enjoyed? "While traditionally cognac was considered a digestif and was primarily had post meals, in the past decade or so it has become more of an aperitif," says Magandeep Singh, a Delhi-based beverage consultant. "Just like you can have a whisky before a meal, you can also have a cognac before a meal," he adds. Singh says that even in cocktails, any cocktail made traditionally with a brown spirit, can be made with cognac. Of course, there are cognac-specific cocktails such as Sidecar—with orange liqueur, lime juice and cognac.

"If you are to mix a cognac with tonic or soda or use it in a cocktail, I suggest go with a V.S. It blends well," advises Singh. However, if you are having an X.O or anything higher, Singh suggests having it on its own. "Those are so rare and such beautiful spirits that you should have it on its own rather than share attention with anything else," he says. "It's like if you had a Picasso or a [M.F.] Husain, you would hang it on the wall all by itself, giving it space, instead of crowding it with 20 less significant pictures," Singh says, comparing the best of the cognac with high-end art.

With a slight nip in the air and the onset of winter in most parts of the country, maybe it is time to sip some cognac. **BT**

@smitabw

PURE & CLEAR

Winter is coming. And so is air pollution. While little can be done about the air outdoors, you can at least filter the invisible viruses, allergens or pollutants from the air you breathe indoors

BY **NIDHI SINGAL**

BLOW HOT, BLOW COLD

Unlike traditional-looking air purifiers that usually have a boxy design, Dyson's offerings mark them out to be lifestyle products. This one houses cylindrical filters at the bottom with an oval top that blows purified air throughout the room. Dyson claims that the advanced HEPA H13 filtration system captures gases and 99.95 per cent of particles as small as 0.1 microns. Plus, it can keep you warm in winter by throwing hot air. It is also compatible with voice assistants.

Available on: dyson.in

DYSON PURIFIER HOT+COOL

₹56,900

This lifestyle product keeps you protected and warm

PHILIPS 1000i SERIES AIR PURIFIER AC1217/20

₹9,999

If you want a no-nonsense air purifier, look no further

KEEPING IT SIMPLE

This air purifier features three-layer filtration with NanoProtect HEPA, activated carbon and a pre-filter. Philips claims that it captures 99.97 per cent of ultra-fine particles to keep away PM 2.5, bacteria, pollen, dust, pet dander and other pollutants. It scans the air 1,000 times a second and reports the air quality in real-time. It is designed for rooms up to 29 m^2 with a clean air delivery rate (CADR) of 260 m^2 per hour. Get this if you want a simple, easy-to-use solution.

Available on: amazon.in

IQAIR ATEM DESK

$399

When in office, get uninterrupted clean air from this nifty desktop device

DESK BUDDY

How do you ensure that you breathe clean air in office? Switzerland-based IQAir has just the thing for your desk. This compact but powerful device uses a direct PureJet air diffuser to create a personal breathing zone—delivering clean air immediately. You can change fan speeds with a touch, while embedded sensors can turn it off in your absence, preserving energy and filter life. It can also be controlled using the IQAir Atem Car & Desk app.

Available on: amazon.com

ON THE MOVE

LG PURICARE WEARABLE AIR PURIFIER

₹14,990

This hi-tech mask ensures you breathe healthy air wherever you are

LG PuriCare

Stepping out? Don't forget to wear this hi-tech mask then. This wearable air purifier features dual H13 Grade HEPA filters, offering up to 99.7 per cent of air filtration. The dual fans blow air at the speed of the user's breathing, thanks to a respiratory sensor. The mask, weighing just 94 gm, prevents eyewear from fogging up and is designed to be worn all day. It is powered by a 1,000 mAh battery that lasts up to eight hours and recharges in two hours.

Available on: lg.com/in

BLUEAIR CLASSIC 280I

₹36,000

For large rooms, this air purifier will do the trick

EXTRA COVER

Designed for medium and large room sizes, the Blueair Classic 280i uses HEPASilent Technology—a combination of mechanical and electrostatic filtration technologies—and claims to remove 99.97 per cent of all airborne pollutants, bacteria, viruses, allergens, micro-plastics and pet dander up to 0.1 microns in size, with minimal noise and energy consumption. It has a CADR of 340 m^2 per hour and can be controlled with Blueair's app over Wi-Fi.

Available on: amazon.in

MUSICAL NOTES

For Vamsi Krishna, CEO and Co-founder of Vedantu, playing the flute literally means staying true to his name

BY **SMITA TRIPATHI**

PHOTO BY **SUDHIR DAMERLA**

MUSICAL JOURNEY Vamsi Krishna learnt to play the flute in his final year of college at IIT Bombay

V**AMSI KRISHNA**, the 39-year-old CEO and Co-founder of Vedantu —an edtech company—believes in keeping himself energised. “Balance of energy is important. It’s why I like to dabble in some passion or the other,” says the IIT Bombay alumnus. Playing the flute is one of them. “It’s a funny story about why I started playing the flute. My name, Vamsi, means flute in Telugu,” smiles Krishna, adding that his mother is from Andhra Pradesh and had named him. “Subconsciously it was always there that maybe I should learn to play the flute,” he laughs, saying that it was only in the final year of college that he joined a music club on campus and learnt the basics of playing the flute. “I never realised it was going to be such a tough instrument. Unlike a guitar or a piano where you can get some sound even if not melodious, in a flute just getting any kind of sound is difficult.”

Over the years, he has played it sporadically. “I am basically self-taught. Like any other instrument, in case of the flute, too, it’s a function of how much input time you put in—that much finesse you will get out of it.” He doesn’t get to practise as much as he would like to, but during the pandemic he did enjoy a lot of me-time playing the flute on his terrace. “It is extremely de-stressing,” he adds. Krishna plays self-compositions rather than any fixed ragas or songs.

The flute is also a unique instrument in the sense that unlike a guitar where you can move from a G-sharp to an A-sharp by tightening some strings, in a flute each individual instrument can only play one scale. “The thickness and length of the flute varies depending upon the scale,” explains Krishna. He plays the G-sharp normally but also has flutes for C-sharp and A-sharp.

Besides the flute, Krishna also likes to dabble in photography. He earlier clicked black and white pictures and portraits but now likes to do macro photography. He uses a Canon EOS RP. “Because I am short on time, macro photography works. It can be done anywhere; just sit in a room and do some creative stuff,” he smiles. “To develop any passion one needs to devote at least eight to nine hours a week, and currently it is difficult to come by,” says the CEO whose biggest passion is teaching. “The thing that energises me the most is teaching. Before starting Vedantu, my founders and I used to take offline classes, and whenever I entered a classroom, it was very meditative. I miss not being able to teach as much now,” he says.

> **“It’s a funny story about why I started playing the flute. My name, Vamsi, means flute in Telugu. Subconsciously it was always there that maybe I should learn to play the flute”**

Krishna believes it is important to keep mentally fit as well. He often plays chess or poker.

So, what’s next for Vedantu? “We are working towards an IPO,” says Krishna. “We are looking at a two-three year time frame.” BT

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RIDE ON Sharma prefers touring bikes as they’re meant for long-distance travel

THE WIND IN HER HAIR

Ambika Sharma, Founder and MD of Pulp Strategy, loves touring the country on her bike

BY **SMITA TRIPATHI**

For 43-year-old Ambika Sharma, the Founder and MD of Pulp Strategy, a digital communications and marketing agency, her love for biking started when she was just 12 years old. Her father, a retired army officer, loved his Royal Enfield and inculcated that love in his young daughter. She got her first bike—another Royal Enfield—when she was in college in Delhi in the late 1990s. At that time, not too many women rode bikes. The BBC programme *Wheels* wanted someone to test ride their bikes and Sharma got that as a freelance gig. “That got me an opportunity to ride every two-wheeler that was coming into the market, adding to my love for bikes,” says Sharma. She retained her trusted Royal Enfield right through college and work, and when she was finally able to afford it, she moved to a Honda 600cc Super Sport in 2007. In 2010, she moved to a Honda 1000cc.

Having tried her hand at sports bikes, she moved to a Harley-Davidson Road King in 2013. “I wanted to go on this long tour with my dad. He was riding pillion and I wanted the right touring bike,” says Sharma. They did an 18-day trip of the coastline of India, from Delhi to Kanyakumari and back. “The plan was to eat fish at every village on the coastline,” smiles Sharma. The plan came about impromptu when Sharma’s father complained that there wasn’t good fish in Delhi. Post the trip, Sharma’s father bought his own bike—a Harley-Davidson SuperLow—and now for nearly eight years the father-daughter duo has been biking all over the country. “We have a list of the places we travelled to when I was a kid and we want to visit those places again,” says Sharma. They have ridden over 150,000 km across the country. They explore one state every year. They have already done trips to Gujarat, Nagaland, Odisha, J&K and Ladakh, among others. On the cards, is the North-East that they want to explore in detail.

Sharma’s other bike is a BMW GTL, also meant for touring. She prefers touring bikes as they are meant for long-distance travel. “You need to carry all your stuff with you, so the bike has to provide for that.” BT

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Gurugram-based MobiKwik is one of India's major digital payments service providers

PHOTO BY **CHANDRADEEP KUMAR**

'You don't need to burn cash to scale up'

What was the problem you were grappling with?
It is a common belief in the start-up ecosystem that burning cash is the only way for fintechs to get customers on board. And a popular narrative is that consumer fintechs cannot turn profitable. The key stakeholders, including the investors, believe in this narrative.

Whom did you approach for advice?
To change this perception, especially about consumer-facing payments firms, it required a complete buy-in from the core team and the tying in of individual goals with the company's vision. In 2019, I discussed this with my core team during an offsite and together we decided to be the front-runners in demonstrating that consumer fintech in India can scale and be profitable at the same time.

What was the advice you received?
The core team advised a cultural shift in the DNA of doing things and regular tracking of P&L. We also decided to invest in ROI-driven growth-oriented processes.

How effective was it in resolving the problem?
In FY19, we decided to become a fast-growing profitable company. Within a year, we turned profitable (in FY20) at cash Ebitda level. Our BNPL segment has been profitable since inception. We achieved profitability at PBT level in the quarter ended December 2021 and, thereby, became the first Indian fintech to turn profitable. We have scaled to 120 million registered users, having spent only $100 million since inception. The strategy of focussing on sustainable growth has helped us invest aggressively at the right places—people and technology—without incurring high cash burn and sacrificing growth. We have spent cumulatively ₹370 crore since FY19 to grow the revenue approximately 2.5x. We acquired 77 per cent users organically. BT

—**ALOKESH BHATTACHARYYA**

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